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# China Report

ECONOMIC AFFAIRS

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4 April 1985

## CHINA REPORT

### ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

MODEL FOR REFORM OF CHINA'S ECONOMIC SYSTEM DISCUSSED

Beijing ZHONGGUO SHEHUI KEXUE [SOCIAL SCIENCES IN CHINA] in Chinese No  
5, 10 Sep 84 pp 37-54

[Study Report by the Topic Research Group in Comparative Economic Systems  
of the Economics Institute of the Chinese Academy of Social Sciences:  
"The Problem of a Target Model for the Reform of Our Country's Economic  
System"]

[Text] This study report is the result of a comparative study on the socialist economic models. This study classifies the socialist economy into five models: The model of the supply system of military communism, the traditional centralized planned economic model, the reformed centralized planned economic model, the planned economic model which organically combines planned regulation and market mechanism, and the market socialist economic model.

The study report holds that: An economic reform aims at changing the basic stipulation and principle of operation of an economic system and involves the transition from one economic model to another. Seeking a target model for our country's economic reform, we must proceed from the situation of our country and at the same time conscientiously sum up the experiences and lessons in the evolution of the economic system of our country. Thus, in our country's economic reform, we should persevere in creating, on the basis of a socialist system of public ownership and the principle of distribution according to work, a model which is suitable for vigorously developing commodity production and commodity exchange and which is favorable for the consolidation of a planned economic system. The report feels that a more suitable model may be the planned economic model which organically combines planned regulation and market mechanism.



Liu Guoguang [0491 0948 0342] was in charge of the writing of this study report. The following individuals successively took part in discussion and in the drafting of portions of the preliminary draft: Wu Jinglian [0702 2417 8834], Chen Jiyuan [7115 0679 0337], Rong Jingben [2837 2417 2609], Lin Qingsong [651 7230 2646], Kong Dan [1313 0030], and Sun Xuewen [1327 1331 2429]. The following were primarily responsible for the actual writing: Chen Jiyuan, Rong Jingben and Lin Qingsong.

Presently, the work of the reform of the economic systems in our country is gradually unfolding. The basic demand for this reform is to create a specific form of relations in production which corresponds to the development of the productive forces in our country at the present stage. To attain this goal, while seeking a target of reform, we must on the one hand conduct a comparative study of the various models of the socialist economic system and, on the other hand, concentrate our effort in carrying out a systematic and profound study of the reality of our country and seeking a model that fits our country's situation. Only on this basis can we design a general program for the reform of the economic system in our country. On the question of how to carry out our economic work properly, comrade Chen Yun once put forth the "all round, repetitive and comparative" scientific method, which is also entirely suitable for properly launching the economic reform in our country. Only by adhering to such a method can we launch all the work concerning our country's economic reform on a more scientific basis and make the new economic system better suit our country's reality. At the same time, only thus can we prevent the blindness of copying everything or rejecting everything on the question of how to treat the experiences of other countries in their economic reform, do our best to absorb the successful experiences of others, and avoid the detours of others.

#### I. A Comparative Study of the Models of a Socialist Economic System

In the comparative study of the problems involving the models of a socialist economic system, it is necessary to make use of Marxist methods to carry out in-depth research in the socialist economy. In studying the socialist economy, we should similarly adopt the method of going from the abstract to the concrete; not only should we study the problems relating to such aspects as the system of public ownership, the nature of planning, and the distribution according to work which can embody the essential characteristics of the socialist relations of production, but we should also study the various concrete forms adopted by the socialist relations of production. A socialist economic system is the concrete form of socialist production, exchange, distribution and consumption. Thus, a model of the socialist economic system is made up of the basic stipulation as well as the primary framework and principle of operation of a definite socialist economic system. These stipulations and principles are mutually linked together and mutually restrictive, and are formed into an entirety of an economic movement in the continuously repetitive process of reproduction. Thus,

the socialist economic model is not directly equivalent to an economic system that exists in reality in a socialist country, but rather is a theoretical outline that has excluded the details and characteristics of that particular economic system. The so-called reform of an economic system, generally speaking, is not limited to the reform, perfection and improvement of the minor details of an existing economic system, but is a reform of an economic model which involves the change from one model to another within the realm of a basic socialist system. A comparative study of the socialist economic models will help us get rid of the interferences of details and factors of secondary importance, seize upon the basic characteristics of one or another economic system, understand the intrinsic reason and objective trend of the transition from one economic system to another, and seek and select a target model of economic reform which conforms to the general law of development of a socialist economy and to the situation in our country. Of course, to build a socialism with Chinese characteristics, we must not hurriedly decide on our ultimate goal, but must feel every stone as we cross the river, and advance in a down-to-earth manner. However, seeking a target model for reform as soon as possible will help us grasp the correct orientation and prevent blindness in the process of designing a program for reform and in implementing reform, and help us pay attention to the coordination of the various reform measures and guarantee the launching of an economic reform in a planned and orderly fashion and step by step.

In classifying the types of socialist economic models and conducting a comparative study on them accordingly, we can consider the different facets from different angles the make-up of the models of the socialist economic system. Generally speaking, we can analyze the models of the socialist economic system in the following respects:

1. The structure of ownership.

The structure of ownership is determined by the specific condition of the development of the productive forces. The system of the public ownership of the means of production is a common essential characteristic of the socialist economic system. However, the socialist system of public ownership embodies diverse specific forms and management modes, which can result in different structures of ownership. Theoretically, one extreme is the unitary system of ownership by all people or ownership by the state, one that was originally envisioned by Marx and Engels. Another extreme is the assembly in reality of autonomous entities of collective management based on the system of public ownership (or system of ownership by society). In the middle lies the coexistence of the two types of ownership with many variations to the mode of management. If in addition, we have individual operation and various types of joint operation, and permit some private operations under specified conditions, then we will further display the diversity and complexity of the structure ownership in practice.



## 2. The decision-making structure.

Under the socialist system, we have eliminated the capitalist system of the private ownership of the means of production and have also abolished the power of economic decision-making and power of administration of the capitalists and their agents. However, in socialized mass production, management and decision-making functions still exist at different levels, such as the decision-making involving the macroeconomic activities of the national economy, the decision-making involving the daily micro-economic activities of the various enterprises and units, and the decision-making involving the economic activities of individual members of society and their families, and so forth. Thus, the question on the determination of the power of decision-making concerning production, exchange distribution and consumption will take place. The distribution of the power of decision-making is, at one possible extreme, the centralized decision-making power by the state involving all levels. Another extreme is the decentralized decision-making power at all levels, which is basically decision-making by the enterprises and individuals. In the middle lies the various combinations of centralized and decentralized decision-making at different levels to varying extent. The difference in the distribution of the decision-making power will result in a difference in the decision-making structure.

## 3. The regulatory structure.

A socialist planned economy has overcome the anarchist state in capitalist production. However, the problem of imbalance will still occur and exist. Thus, we must adopt all kinds of regulatory measures to rationally distribute manpower, material resources and financial resources in order to guarantee the growth of the national economy in a planned and proportionate manner and with high efficiency. The regulatory measures of a socialist economy include planned regulation and market regulation. Theoretically, one extreme involves the implementation of a direct planned regulation in the form of administrative decrees. Another extreme involves the implementation of an indirect planned regulation and market regulation through the mechanism of the market. Generally, planned regulation and market regulation are combined under different limits and in different ways. All this in turn corresponds to different information transmission and feedback systems. In this way, the diversity of the regulatory structure under the socialist system is manifested.

## 4. The structure of interest and motive force.

The socialist system has eliminated the antagonistic conflicts of a capitalist society. Here, the interest of the whole society is basically uniform. However, because the productive forces have still not developed to a high degree, labor is still a means of survival and the old social division of labor has still not been abolished, thus, among the state, the collective and the individual or between the collective and the individual, a non-antagonistic conflict of interest still exists. We

can have different modes of handling these conflicts of interest. One extreme is to emphasize in a onesided manner the interest of the state and the interest of the whole, and emphasize solely the role of political mobilization. Another extreme is to emphasize in a onesided manner the interest of the individual and partial interest, and emphasize solely the role of material incentives. Generally, we implement unified planning with due consideration for all kinds of interests to varying degrees. In handling the interest of the individual, one extreme is to implement egalitarianism and another extreme is to carry out distribution entirely according to profits. Generally, somewhere in between the two extremes, we implement distribution according to work in different ways and to varying degrees. In some places, the factor of distribution not according to work (such as profits from funds) still exists. In the above instances, different economic behavioral modes, or different economic motive forces, may appear. Thus, under the socialist system, we can have different structures of interest and motive force.

##### 5. The organizational structure.

In the operation of a socialist economy, the problem of organization exists in all kinds of economic activities. Thus, different forms of economic organization will appear. Theoretically, one extreme is that all economic units do not have separation of government administration and enterprise management. All the economic activities are organized according to the state administrative system (vertical) and administrative regional divisions (horizontal). Another extreme is that all the economic units are independent or relatively independent economic entities. All the economic activities are organized according to such intrinsic economic relations as specialized cooperation. In the middle lies the combination of the two to varying degrees, having both administrative organizational management and economic organizational management. Thus, under the socialist system, different types of organizational structures are formed.

The above five aspects are the most basic structures of various socialist economic systems. These structures, interlocking, interrelated and mutually restrictive, form a general model framework and a large system of economic operation. The details of the various kinds of economic systems are unfolded in operation under this general framework. At the same time, as there is unity between structure and function, each kind of structure will yield its own function and produce its own results. Because the abovementioned different economic structures exist under the socialist system, different models of economic system will result, yielding different degrees of economic usefulness. We must conduct specific analysis and comparison of the models of the various systems.

In light of the characteristics of the structure of the system of ownership, the decision-making structure, the regulatory structure, the structure of interest and motive force and the organizational structure, a socialist economy can generally be divided into the following five models.

The first type: The model of a supply system of military communism.

Its characteristic is that the decision-making power involving all economic activities, including macroeconomic activities, the daily economic activities of an enterprise and the economic activities of a family (such as the choice of profession, the choice between labor and rest, and the choice involving consumption) is concentrated in the hands of the state. This is an economy based on distribution in kind that completely excludes the relationship between commodity and currency and market mechanism. It implements an egalitarian system of distribution. The entire economy can only be operated by administrative compulsion (order) and spiritual mobilization. The information that controls economic activities is transmitted vertically in the form of commands.

The target conception of this type of model of economic organization regards the whole society as a large factory. This economic model is adopted under abnormal conditions such as war and economic blockade. It can mobilize and concentrate in a relatively rapid manner the necessary manpower, material resources and financial resources to win victory over the enemy and overcome the tremendous economic hardships. However, once the war is over this economic model will contradict the interests of the peasants and the workers and will fail to mobilize their enthusiasm, thereby greatly lowering the economic efficiency.

The second type: The traditional centralized planned economic model.

Its characteristic is that the decision-making power over macroeconomic activities and the daily activities of an enterprise is concentrated in the hands of the state, while the decision-making involving the economic activities of the individual and his family is basically decentralized. The basic method to realize a planned regulation is command-style planning based on a hierarchical structure of administrative power. The relationship between commodities and currency does exist between the economy under the system of ownership by all people and the economy under the system of collective ownership, and between the individual and the state. However, under the control of the state's administrative power, the role of the market is very small. Besides a fair trade which is sometimes relaxed and sometimes tightened, market exchange outside the plan is rare or illegal. Inside the state-run economy, commodity relations do not exist among enterprises. "Commodities" are only the outer casing, and "currency" basically plays the role of accounting and ship distribution. The enterprises lack the relatively independent economic interests which are linked with the business condition. Economic decisions are basically implemented through administrative decrees from the higher to the lower level and the administrative duty of the lower to the higher level. Economic information is transmitted vertically from the higher to the lower level in the administrative system in the form of commands and reports. Although there is horizontally-transmitted information, it is done in a subordinate fashion. The change in the structure of economic organization is basically limited to readjustment of administrative jurisdictions.

This model exists on a very broad scope over a very long period of time. Its strong points are: The implementation of a highly centralized planned management is convenient for the concentrated investment of manpower, material resources and financial resources in the sectors and regions which the state has decided to develop in priority. This can realize a higher rate of accumulation and bring about a higher economic growth rate for and rapidly realize the industrialization of an economically-backward socialist country within a definite period of time.

However, this highly centralized planned economic model also has its intrinsic contradictions and shortcomings, which are primarily manifested in the following two aspects. The first one is that the information structure and the decision-making structure embody major flaws. Because the state organs, which have the power of decision, are physically far from the enterprises, the location where daily economic activities are going on, they have difficulty keeping abreast of the information necessary for decision-making. At the same time, in decision-making, they lack the necessary flexibility to change with the changes in the situation. All this inevitably will affect the results of the micro-economic activities. In addition, due to the lack of a horizontal information link between the producer and the consumer, supply, production and sales will easily become divorced from one another, resulting in imbalance in the economic structure. Furthermore, due to a lack of democratic procedure, the state relies only on the massive and over-staffed administrative organizations in decision-making activities. This will easily bring about a bureaucratic theory of decision dictated by one's will, which may result in major faults in macroeconomic policy decision-making. The second one is that major flaws exist in the regulation of the interest relations. As a subordinate of the state organ, the enterprise is only motivated arbitrarily by administrative decrees. Without interest as an internal motive force and competition as an external pressure, it lacks the initiative and enthusiasms to improve production, renovate technology, lower cost, raise quality and adapt to needs. Since the fulfillment of the quantitative target stipulated by the plan is the primary basis for evaluating the results of an enterprise's work, the enterprise generally will present a higher estimate of its investment needs and a lower estimate of its output possibility to the higher level. Thus, this model will inevitably lead to a drop in both the macroeconomic and microeconomic efficiency. In particular, with the development of the economy, we have shifted from extensive to intensive development. This also means shifting from the emphasis on quantitative increase to the emphasis on the improvement of quality and results. In addition, as the goal of development becomes diverse and complex, instead of solving primarily the problem of increasing the country's economic strength and strength of national defense, we have also put on our daily agenda such tasks as solving the problems of improving people's livelihood, developing our mental resources and protecting our environment and our resources. This type of traditional centralized planned economic model is gradually becoming unsuitable.



The third type: The reformed centralized planned economic model.

This model has basically preserved the basic characteristics of the traditional centralized planned economic model. However, it has transferred a portion of the microeconomic decision-making power down to the enterprises. For instance, a portion of the products outside the plan can be sold by the enterprises and a portion of the profits can be retained by the enterprises for use in production development and bonuses and welfare. The activities of the state-run economy are basically still controlled by command-style planning, but command-style targets are reduced. At the same time, it has expanded the role of the value target. However, in the production and distribution of the important products, we still retain the target in kind. To varying degrees, the policy toward the economy of the system of collective ownership has been relaxed. Individual economy is permitted to exist. The scope of market regulation has been expanded. But market regulation still plays a supplementary role externally in the entire social economy, especially in relation to the leading role of a planned economy. In order to encourage the enterprises to implement the command-style targets transmitted by the state, the compulsory nature of the commands is continuously emphasized. In addition, we have begun to pay attention to bringing into play the role of such economic levers as prices, profits, wages and credit and loans. However, because we have basically preserved the system of command-style planning and fixed pricing, we have not been able to flexibly use and bring into full play the role of these economic levers. Thus, although this model has begun to pay attention to the integration of administrative measures with economic measures, it is still taking administrative measures as the key in reality.

Because this model has persevered in the principle of a centralized planned economy, it has thus preserved the superior qualities of the second model. At the same time, with the expansion of the decision-making power of the enterprise, the enterprises have acquired definite flexibility in its daily economic activities. The implementation of the principle of material interest has also increased the enthusiasm and initiative of the enterprise. All this has eased somewhat the original contradictions found in the second model and has to a certain extent promoted the development of the economy and the improvement of economic results.

However, this model has only made partial improvement within the basic framework of the second model, and has still failed to basically overcome the shortcomings of the abovementioned second model. Furthermore, because these partial improvement is not in harmony with the original basic framework, some contradictions which are difficult to solve are also produced. For instance, in the new system, the primary basis for determining the material interest of an enterprise is no longer the situation of the fulfillment of the targets in kind such as the gross output value or the product variety, but is the fulfillment of such value targets as net output value or profit. However, the price system

has not been reformed. Under the situation of maintaining the original system of fixed prices, the prices often deviate from the value by a wide margin, and therefore cannot reflect in a timely and accurate manner the information regarding supply and demand. Thus, the pursuit of profit on the enterprise's part oftentimes comes into conflict with the goal to satisfy society's needs. The result is a difficulty in solving the situation in which the interest of the consumer is compromised and supply is seriously divorced from demand. This is precisely the basic reason why, adopting this model, a country will continue to fluctuate between increasing and decreasing command-style targets and change its central targets over and over again. Because of the fluctuations and reversals in regard to certain measures of economic reform, instability in economic development will result. In terms of the general trend, those countries which adopt this reformed model have all along been unable to basically change the situation of the drop in the economic growth rate, of poor product quality and of poor economic results.

The fourth type: The planned economic model which organically combines planned regulation and market mechanism.

In order to expand the mechanism of the market under planned guidance, this model has even greater flexibility in such aspects as the form of the system of ownership, the management mode and the decision-making power of the enterprise in management. Its characteristic is that the macro-economic decision-making power is centralized. All the strategic economic activities that are related to the overall situation of the national economy come under the centralized decision-making of the state. The daily economic activities of an enterprise, on the other hand, basically come under the decision-making by the enterprise itself. The decision-making power involving family and individual economic activities is also decentralized. Under the prerequisite of persevering in a planned management over the activities of the entire national economy, besides preserving command-style planning and management over a very small realm of microeconomic activities which require strict restrictions, an enterprise is guided primarily by economic levers in fulfilling its plans. The state's macroeconomic plans and policies are to be realized through the mechanism of the market on a microeconomic scale. In this way, planned regulation and market mechanism are intrinsically and organically combined. As a relatively independent commodity producer, the enterprise has the intrinsic motive force determined by its own interest that is closely related to its business condition as well as the external pressure from market competition. The horizontal economic relationship and information transmission between the producer and the consumer have thus been developed and strengthened on a broad scale. In particular, market prices will display increasingly important information-giving and regulatory functions. The vertical information transmission between the state and the enterprise and the horizontal information transmission among the enterprises and between the producer and the consumer are interwoven into an information network for the national economy. In terms of economic organizational structure, it uses economic means and not administrative means to establish economic relations among

the various enterprises and various regions. It not only establishes a centralized and large-scale economic organization for socialized mass production and the necessary production for large-scale economy and brings into play the role of all kinds of key economic organizations, but also preserves the decentralization of production according to society's demand and the necessity of the frequent changes in the technological structure. By adopting all kinds of anti-monopoly measures, and by preserving the buyer's market to a certain extent, it encourages competition among one another and enables this type of competition to develop in the direction that better satisfies the needs of society.

This model has overcome to a relatively great extent the shortcomings that exist in the traditional centralized planned economic model. The structure of decision-making at different levels has strengthened the reliability of macroeconomic decision-making and microeconomic decision-making, which may reduce the errors in decision-making. At the same time, this model can also prevent the situation in which the market socialist economic model loses control on a macroeconomic scale, and can prevent the appearance of an anarchist state in social production. Thus, this model can better link up organically planned regulation and market mechanism and macroeconomic regulation and microeconomic regulation, thereby offering a more reliable guarantee for a stable economic growth and a harmonious economic structure.

Of course, no economic model is perfect. This model also has its own contradictions and problems. The major difficulty is in how to combine planned regulation with market mechanism and in what scope and to what extent can the role of the two be brought into play. In the complex relationship between planned regulation and market mechanism, it is no easy matter to master a degree of appropriateness. Here, there are generally two difficulties. The first one is how to create a limited buyer's market. The second model can easily bring about commodity shortage. This trend constitutes the intrinsic contradiction of the second model. In order to solve this contradiction, we must expand the mechanism of the market, and make a transition to the third or fourth model. However, commodity shortage can easily bring about price inflation, causing fluctuation in the economy. It will be necessary to strengthen control by command-style planning again. We will thus be plunged back into the contradiction of the first model. As a result, we will swing like the pendulum of a clock, emphasizing planning one moment and emphasizing the market the next. The second difficulty is how to make use of all kinds of economic levers to guarantee that the business activities of an enterprise will conform to the harmonious interest of society. In this model, society manages the economy primarily through all kinds of economic information and economic levers. There are market information, the information on currency circulation, the information on prices and the information not related to prices, such as the information on resources, the information on scientific and technological development, and the information on the training of skilled personnel. This is an extremely complex system involving multilevel, multidirectional

and multiphasic information flow and feedback. It is an extremely complex and arduous task to regard all kinds of economic information scientifically, skillfully use all kinds of economic levers which accurately represent these pieces of information, and formulate accurate price, tax, interest, wage, investment and credit and loan policies, so as to enable the entire economic organism and the various economic cells to operate harmoniously. To this day, there are many problems in this respect which we have not resolved both in theory and in practice.

The fifth type: The market socialist economic model.

In this model, the system of public ownership is basically the assembly of independent and autonomous entities in collective management. At the same time, within a relatively large scope, individual economy is allowed to develop and certain private-run economic units are allowed to exist. The characteristic of this model is the decentralization and orientation toward the market in the decision-making involving all three levels of economic activities, namely, macroeconomic activities, microeconomic activities, and family and individual economic activities. Due to the abolition of the system of ownership by the state, the enterprise possesses a great deal of decision-making power. Market regulation plays a popular and leading role in the entire national economy. Generally speaking, the microeconomic results are better. However, the state does not directly manage the economy and also lacks the necessary measures of regulation and control. Although it still draws up social plans and puts forth reference targets regarding certain major aspects of the development of the national economy, it will have difficulty realizing the targets of the plan in reality. In respect to an economic organizational structure, although we have freed ourselves from the confines of administrative management, yet monopoly by a few large-scale organizations exists and blind competition also exists among many small organizations.

This model comes into being under designated social historical conditions. In respect to economic operation, it embodies certain characteristics of a market economy and therefore cannot avoid the shortcomings of a market economy. For instance, due to the lack of effective measures for controlling the macroeconomic activities, disharmony may easily result in the economy. The improvement of microeconomic results to a great extent will be canceled out by the waste brought about by a state of blindness in the entire social production. A phenomenon involving harm to the interest of the consumer may also appear. This includes enterprise monopoly, high financial deficits, sharp monetary inflation and unemployment of workers, and so forth. Thus, in this model, the successes in the microeconomic realm are attained at the cost of the passive results in the macroeconomic realm.

In view of the above comparison and analysis, we can see that these five economic models all have their respective historical backgrounds and are the products of a certain historical condition. They all have their merits and shortcomings. We must not regard them apart from their specific historical conditions and say that one model is absolutely good



and another model is absolutely bad. We cannot affirm everything or negate everything. It has only been several decades in the development of the socialist economic system from the October Revolution to today. Capitalism, on the other hand, has enjoyed several centuries of history. In view of the long river of history, the socialist economic construction at this point still embraces an experimental character to a considerable extent. The various countries are still exploring a model of development and a model of system of organization which suit their own situation. Thus, as properly stated in the resolution of the Sixth Plenary Session of the 11th party Central Committee: "We do not have a fixed model in developing the socialist relations of production. Our task is to create a specific form of relations of production at every stage that corresponds to the demand of the development of the productive forces in our country and that is convenient for our continuous advance."

The above-mentioned five types of socialist economic models are our theoretical summary of the socialist economic systems in history and in reality. In our realistic economic lives, the economic systems of the various socialist countries are not as pure as our theoretical analysis. Rather, they all have composite and complex situations in varying degrees. Since the 1950's, in light of the reality of the economic reform in some countries, generally there has been a trend of a gradual transition from the second model (the traditional centralized planned economic model) to the third model (the reformed centralized planned economic model) and the fourth model (the planned economic model which organically combines planned regulation and market mechanism). The countries which implement the traditional centralized planned economic model have adopted a decentralized decision-making system in establishing diverse economic forms and management modes. They have also adopted one measure or another in utilizing the mechanism of the market to revitalize the economy and improve economic efficiency. On the other hand, those countries which implement the market socialist economic model are studying the measures to be adopted in strengthening the control over socioeconomic activities and in solving such problems as price inflation, increasing unemployment and contradictions among regions and nationalities.

Although the trend of economic reform is as described above, yet, the goal of reform proposed and the measures adopted by the various countries and the results of the reform are not the same, all having their own characteristics. One experience here which deserves our attention and our summation is that, those countries which adopt basic measures in launching reform have scored more obvious results, while those countries which adopt the measures of patching up and improving have scored minimal results and have even brought about new contradictions. The reason is very simple. This is because an economic reform involves changing the basic stipulation and principle of operation of an economic system and involves the transition from one economic model to another. If an economic reform is confined to the basic framework of the original model and to the partial improvement of certain minor details, then it will be impossible to thoroughly solve the original problems. Furthermore, as mentioned above, if the partial improvement fails to attain harmony

with the original basic framework, it will even bring about new problems which will be difficult to solve.

We must proceed from the reality of our country and, through a comparative study of the socialist economic models, sum up the experiences and lessons of the economic reform of various socialist countries, explore the goal of economic reform in our country, and adopt practical and realistic measures in order to gradually accomplish the transition from an old economic system to a new economic system.

## II. Our Country's Situation is the Point of Departure in Selecting a Target Model

In exploring the target model for the reform of our country's economic system and formulating a general program for reform, we must take scientific socialism as our guide and proceed from our country's situation to conscientiously study the major problems that exist in the original economic system and sum up our previous experiences and lessons.

Our country's situation embraces the following important characteristics:

First, our country is a large developing socialist country that has a one-billion population and a low level of productive forces as well as a relatively backward culture. We are lower than other socialist countries in our per-capita gross national product, per-capita social gross output value, per-capita national income, per-capita basic means of production (such as iron and steel, cement and chemical fertilizer), per-capita energy resources (such as petroleum, electricity and coal), per-capita basic means of subsistence (such as grain, edible oil, cloth and living space), and the level of national education (including the number of university and secondary vocational students per 10,000 people and the extent of popularization of our compulsory secondary education).

Second, our country's economic development is extremely unbalanced. Among the various sectors of the national economy, first of all, agricultural and industrial development and the development of the raw materials industry and the processing industry are extremely unbalanced. Regionally, the economic development between the coastal regions and the hinterland is unbalanced. An imbalance in technological development is primarily manifested in the small number of modernized, mechanized and relatively highly-automated large-scale production on the one hand and the large number of small-scale production involving manual labor and manual operation. Of course, the imbalance in regional development is a phenomenon shared by many socialist countries. But such an obvious dual structure economically involving a small number of modernized industry on the one hand and over 80 percent of the population living in the rural areas and basically carrying out manual labor on the other is no doubt a Chinese characteristic.

Third, our commodity production is not developed, our infrastructure is weak and our regions are not closely linked together. Historically, China is a large central totalitarian feudal country. The various feudal administrative provinces must turn over grain and other tributes and taxes to the imperial house. Also, feudal separationist rule was often implemented. The rural area, on the other hand, has for a protracted period existed in a self-sufficient natural economy. Historically, interregional economic links and commodity circulation have not developed. After their invasion of China, the imperialists made use of a few coastal key cities to plunder all kinds of economic resources in the hinterland as well as dump foreign commodities on our country. This added a layer of colonialist economic relationship to our country. However, we have still failed to establish a normal economic relationship to develop social division of labor and rational use of resources among the regions. Historically, capitalism in China has only developed minimally. This also is different from the majority of socialist countries. Thirty years after Liberation, an earth-shaking change has taken place in China. But the abovementioned characteristics which have been formed through history will still continue to exert certain influence on us.

In deciding on a general program for the reform of our country's economic system, we must also conscientiously review the history of evolution of our country's economic system since the nation's founding and absorb the necessary experiences and lessons therein.

In the early days of the Liberation and the first Five-Year Plan period, we basically acted in accordance with our country's situation. On the one hand, in light of the characteristics of our country's backward productive forces and weak industrial foundation, we appropriately concentrated the material and financial resources of the whole country to launch a large-scale economic construction in a planned manner, and laid the preliminary foundation for industrialization. At the same time, in light of our country's characteristics, we adopted the principle of the socialist transformation of agriculture, handicraft industry and private industry and commerce. We paid attention to using such economic measures as prices, taxes and credit and loans to control, regulate and guide the above sectors, and enabled them to advance in the direction beneficial to the national economy and the people's livelihood. In terms of our method of planning, we integrated direct planning with indirect planning. We adopted direct planning in regard to large-scale capital construction. In addition, at that time, because the five economic components were coexisting, the state-run enterprises, which also operated in the market environment, embraced relatively great decision-making power and flexibility. Thus, generally speaking, the economic system at the time conformed to our country's situation. Consequently, not only was the speed of economic growth relatively rapid but the economic results were relatively high, the urban and rural relationships was rather close and the people's livelihood was relatively improved. Compared to some socialist countries of that time, the economic development of our country was relatively smooth.

However, after we had basically attained the socialist transformation and established the preliminary basis for industrialization, our country gradually set up an economic system which embraced the characteristics of centralization of state power and the primary use of administrative methods. State-run industrial production, communications and transport, and basic construction plans were basically transmitted from the higher to the lower level in the form of commands. The manpower, financial resources, material resources, production, supply and sales of an enterprise were decided by the higher-level departments. There were many reasons behind the formation of this system. They include our copying the system of the Soviet Union in spite of our country's situation, the influence of the tradition of the supply system which had been formed in the liberated areas under wartime conditions, and certain measures which we had inherited from the socialist transformation of capitalist industry and commerce. With the launching of the socialist economic construction, the shortcomings of our country's economic system became exposed with each passing day. These shortcomings embodied the common failing of the abovementioned second model (the traditional centralized planned economic model), in which the overcentralized administrative management had dampened the enthusiasm and initiative of the enterprises and the masses. It also embodied the peculiar shortcoming resulting from a failure to conform to our country's situation, which was the existence of a rather prominent dual economic structure in our country in which agriculture had a great restrictive force over industrial growth. Thus, under such a system, the fluctuation of our country's industrial growth was more obvious than the other socialist countries.

Through practice, we have long detected the shortcomings of our country's original economic system, and have in the past attempted to carry out certain reforms. Now, it appears that the direction of some reform is correct. Also, due to our insufficient understanding and experience, some reforms have not brought about progress in the original system.

In April 1956, in his important speech "On the Ten Major Relationships," comrade Mao Zedong took warning from the shortcomings and mistakes in the process of building socialism in the Soviet Union, summed up our country's experiences, and expounded on and pointed out the basic principles of correctly handling the ten major relationships in the socialist revolution and socialist construction. In regard to the relationship between the state, the production unit and the individual producer, he proposed that: "We must not only consider one party, but must take into consideration the state, the collective and the individual"; "I'm afraid it is inappropriate to concentrate everything on the central, provincial or municipal authorities without giving the factories some power, some flexible leeway and some interests"; "All the production units must have an independence that is linked with unity before they can develop more vigorously." These opinions of comrade Mao Zedong have pointed out clearly the principle and direction of the type of economic system which our country should build.



After that, at the 8th Party Congress, comrade Liu Shaoqi made a political report on behalf of the party Central Committee. He pointed out: "Under the unified leadership and unified planning of the state, we should guarantee that the enterprises will have appropriate autonomous rights in such matters as planned management, financial management, cadre management, readjustment of staff members and workers and welfare facilities." "The leading organs of our economic departments must conscientiously manage well what they should manage, and not manage what they do not have to manage or should not manage. Only by integrating the powerful leadership of the higher-level state organs with the enthusiasm of the enterprises themselves can we push forward our cause rapidly." At this congress, comrade Chen Yun systematically elaborated on his conception of our country's economic system after the socialist transformation had been basically accomplished. He said: "The situation of our socialist economy is this: In respect to industrial and commercial production and management, state-run business and collective business are the leading factors in industry and commerce. But there is also a definite number of individual businesses. This type of individual business is the supplement to the state-run business and collective business. In respect to the planning in production, a major portion of the industrial and agricultural products throughout the country is produced according to the state plan. However, at the same time, a portion of the products is produced freely according to the changes on the market and within the realm permitted by the state plan. Planned production is the leading factor in industrial and agricultural production. The free production, which is carried out according to the changes on the market and within the realm permitted by the state plan, is the supplementary factor." After that, in discussing the work of improving commerce, comrade Chen Yun again pointed out: "To move the 2.5 million staff members and workers in the commercial system about as though they were 'beads of an abacus'—this is a bureaucratic method of leadership." "We should organize at every basic level management committees, organize management groups in small units, and organize management conferences in even smaller units."

In order to solve the problem which existed in the system of economic management at the time and bring into play the supplementary role of market regulation, the CCP Central Committee considered a series of measures and planned to gradually implement them after experimenting them. These measures included:

(1) Change the purchase and sales relationship between the industrial and commercial enterprises and between the higher- and lower-level commercial organizations, and gradually terminate the method of state monopoly of purchase and sales of general merchandise of all varieties and switch over to the method of self-initiated sales. With the exception of those varieties in high demand, all other raw materials will no longer be distributed by the state but will be freely purchased by the factories. The higher-level commercial wholesale stations will no longer assign goods to the lower level. The lower-level shops can freely carry out selective purchase from any wholesale organizations throughout the country, and can also freely carry out selective purchase from the factories.

(2) Implement decentralized production and decentralized management involving most industrial, handicraft and agricultural sideline products and commodities. Implement decentralized production and decentralized management involving most of the factories which were merged either in their original state or after the necessary readjustments during the socialist transformation of the capitalist industry and commerce. Change most of the handicraft cooperatives involving service trade and many handicraft cooperatives involving the manufacturing industries which were merged during the process of establishing cooperatives as well as some supply and marketing cooperatives into small cooperatives, and change the unified calculation of profit and loss of the entire cooperative to the assumption of one's own profit and loss by the various cooperative groups or households.

(3) Abolish the method of market management which was formerly stipulated for the purpose of restricting the speculative activities of the capitalist industry and commerce. Although the state should still monopolize the purchase or entrust the supply and marketing cooperatives to carry out unified purchase of grain, economic crops and important agricultural sideline products, the state-run shops, cooperative shops, cooperative groups and supply and marketing cooperatives everywhere are permitted to carry out free purchase and free transportation for sales of other agricultural sideline products, such as the small native products, thereby changing the method of unified purchase by the local supply and marketing cooperatives involving these products.

(4) Adopt more flexible price policies and make prices more favorable for production. Correct the tendency to interpret "stabilizing prices" as "unifying prices" or "freezing prices." Permit appropriate price hikes for products of outstanding quality and higher cost and for new products, and permit the fluctuation of sales prices for small products which are purchased and transported for sales freely.

(5) Change the method of state planned management over certain products. The various targets stipulated in the state plan for general merchandise, handicraft industrial products and small native products will only be reference targets. The factories producing these products can set their own targets of production according to the market situation, and turn in profits according to the actual results at the end of the year.

The above-mentioned measures can be summarized into two important principles. One, under the unified leadership of the state, appropriately expand the limits of authority of the enterprises and localities in order to bring into play the enthusiasm and initiative of these enterprises and localities. Two, in a socialist planned economy, bring into full play the supplementary role of market regulation. After more than 20 years of practice, it now appears that the direction of this reform is entirely correct.

What is regrettable is that the practice in succeeding years has not only failed to implement these reform measures but has run contrary to these measures in some ways.

In 1958 and 1970, our country successively carried out reform on the economic system. However, we primarily expanded the limits of authority of the local administrative organs in respect to planning, capital construction, financial affairs, materials and labor and wages. We even transferred to the localities a considerable number of large-scale core enterprises whose supply, production and sales involved the whole country and the national plan and people's livelihood. This type of reform primarily involved division of power between the central and local authorities, and failed to change the subordinate role of the enterprise to the administrative organ. This type of reform was similar to the unsuccessful reform of the Soviet Union in transferring power down to the local authorities. However, having such characteristics as the former regional imbalance and lack of development in economic links in China, this method even encouraged the tendency on the part of the localities to have their own government and vigorously carry out "small and comprehensive," "large and comprehensive" and independently complete economic systems. As a result, scattered investment, blind and overlapping construction, struggle for energy and struggle for materials became more serious. A situation of confusion and inflexibility manifesting confusion in the limits of authority in management, policy-making by too many departments, and the presence of "too many mother-in-laws" in the enterprises caused a big drop in economic results. Practice has proved that this type of reform is unsuccessful and cannot be sustained. In addition, we will inevitably go around in circles, tightening and relaxing and relaxing and tightening on the question involving centralized power of the state and decentralized power of the localities.

After 1958, due to the influence of the "Leftist" guiding ideology, we thought that the more extensive and public, the better in handling the question of the system of ownership. We excluded diverse economic components. On the question of the relationship between commodities and currency, we equated the development of a commodity economy with the development of capitalism, and excluded the use of market mechanism and the law of value. On the question of distribution, we vigorously criticized bourgeois rights, and negated profits and distribution according to work. In regard to the labor system, we further restricted the flow of labor forces and population. On the question of organization, the sectors, regions and enterprises all vied with one another in pursuit of a closed system of becoming "large and comprehensive" and "small and comprehensive." In this way, the decision-making power in regard to our country's economy became further centralized, the socioeconomic relationships became more oriented toward material objects, our system of organization and management became more divided and closed, and egalitarianism among the enterprises and the individual staff members and workers in respect to material interests became more intense.

Thus, prior to the Third Plenary Session of the Third Plenary Session of the 11th party central Committee in 1978, our country's economic system basically embodied the element of the supply system of military communism and of the traditional centralized planned economic model. We went much further than other socialist countries in that we were more centralized, more oriented toward material objects, more closed and more egalitarian. This model was an immature and crude form of socialism that embodied all kinds of misunderstandings by the people toward the socialist principle. The reform of the economic system at present is to change this former immature model that embodied misunderstandings toward the socialist principle into a new model which is more mature, more complete and which conforms more to the socialist principle.

The Third Plenary Session of the 11th party Central Committee marked the new beginning point for the reform of our country's economic system. The communique of the plenary session pointed out the serious mistakes, such as the overcentralization of power and the failure to separate party, government and enterprise, which existed in the former system of economic management in our country. It proposed such reform measures as boldly transferring power to the lower level in an effort to bring into full play the initiative, enthusiasm and creativity of the central departments, the localities, the enterprises and the individual laborers, so that the various sectors and various links of the socialist economy would develop in a widespread and prosperous manner. In the last few years, guided by the principle of the Third Plenary Session, relatively great progress had been made in two respects in the reform of the economic system in our country. One was the popular implementation of the system of contracting responsibility in joint production in the broad rural areas. Another was the expansion of decision-making power in business management of industrial and commercial enterprises in the cities. Reforms of an experimental nature were also carried out in other respects. These reform measures conformed to our country's situation as well as the law of economic development, and played a beneficial role in shattering the old models such as "the same big pot" and "the iron bowl." Thus, in a relatively short period of time, we scored obvious results in our country's economic reform, in particular in the reform in the rural areas. However, this reform was carried out during the period of readjustment of the national economy under the situation when disharmony in the major proportionate relationships had not been attained and a turn for the better in the financial and economic condition had not been achieved. Thus, the extent of difficulty and complexity in the reform was naturally increased. Besides, it was still necessary to sum up the many precious experiences and lessons in this respect. Conscientiously summing up our new experiences in our country's economic reform is therefore also extremely important to seeking a target model of reform.

To seek a target model, we must still proceed from the practice of our country's economic reform, and carry out a comparative study with the economic reform in other socialist countries. The difficulties which other socialist countries have encountered in their economic reforms have likewise appeared in the process of the reform in our country. We



can absorb the useful experiences and lessons which are suitable to our country's situation. Here, we must emphasize the study of the problems of how to determine the appropriate point that links planning and market, centralization and decentralization and macroeconomics and microeconomics as well as how to make use of economic levers to effectively control the economic operations of the various production units in order to realize the goal stipulated by the state plan.

### III. The Selection of a Target Model

As for the direction of the reform of our country's economic system, directives of principle have already been presented in the documents of the 12th party congress. These are: "Persevere in the leading position of the state-run economy and develop diverse economic forms"; "correctly implement the principle of the leading role of a planned economy and the supplementary role of market regulation"; "adopt different forms according to different situations in planned management"; "whether we are implementing command-style planning or guidance-style planning, we must strive to conform to objective reality, frequently study the changes involving market supply and demand, consciously utilize the law of value and such economic levers as prices, taxes, and credit and loans to guide the enterprises in realizing the state plan, and let the enterprises have varying degrees of flexibility"; "practically and realistically improve commercial work and vigorously mediate, expand and increase the channels of circulation," and so on and so forth. The abovementioned directives are proposed on the basis of our party's profound summary of the experiences and lessons of the reform of our country's economic system and digestion of the experiences of other countries, and in accordance with our country's situation. They should be our guiding principles in studying and seeking a target model for our country's economic reform. We feel that, in general, the target model which we seek for our country's economic reform must be favorable to the establishment of a socialism with Chinese characteristics, favorable to making our country prosperous and favorable to bringing wealth and happiness to the people. This model should be a model that perseveres in the socialist system of public ownership and the principle of distribution according to work, that is suitable for vigorously developing commodity production and commodity exchange, and that consolidates a planned economic system. This type of model should appropriately integrate centralized leadership with decentralized management; planned regulation with market mechanism; the interests of the state, the collective and the individual; and administrative measures with economic measures. Proceeding from our country's present situation of a centralized planned economic system that embraces the element of the supply system of military communism, it appears that at present, the previously mentioned fourth model, that is, the planned economic model which organically combines planned regulation with market mechanism, may be more appropriate, for it will enable us to more effectively overcome the shortcomings of the original model, more appropriately solve the problems in the above-mentioned aspects, and hence realize the spirit and demand of the reform in a better manner. Based on this understanding, the target model of our country's economic

reform should embody the following characteristics in respect to the structure of ownership, the decision-making structure, the regulatory structure, the structure of interest and motive force and the organizational structure:

First, in respect to the structure of ownership: Establish a multilevel structure of ownership which takes the socialist state-run economy and collective economy as the leading factors and the individual economy and a small volume of state capitalist economy as the supplementary factors, and which includes the alliance of various forms, in order to suit the situation of a large population and an unbalanced development of the social productive forces in our country. Toward the highly-socialized production sectors which are related to the lifeline of our country's economy, such as banking, posts and telecommunications, railroad, shipping, defense industry as well as the modernized core enterprises which produce products that are related to the national economy and the people's livelihood, we should continue to adopt the form of state ownership and management and bring into play its leading role in the national economy. Toward other sectors as well as medium-sized and small industrial enterprises, retail commercial units, catering and service trades and repairs trade, we can implement state ownership plus collective management, that is, implement diverse economic modes of management through contracts or management through leasing by worker collectives or individuals. Or, we can change these enterprises into enterprises under the system of collective ownership. At the same time, we should further vigorously establish all forms of cooperative economy, support and encourage the development of individual-run handicrafts industry, breeding business, transportation business, service trades, repairs trade and retail commerce. In order to utilize foreign investment and import advanced technology, we can also set up all forms of joint enterprises. In some localities and trades, we can also permit sole investment and management by foreign businessmen. In light of the needs of economic development, we can also shatter the boundaries between sectors, regions and systems of ownership, and set up all forms of jointly-operated enterprises.

Second, in respect to the structure of economic decision-making: Set up a multilevel decision-making structure involving the state, the enterprise and the individual laborer in order to guarantee the harmonious development of the national economic activities in the correct direction. The state will make centralized policy decisions concerning macroeconomic activities, which include the strategic problems of the development of the entire national economy, such as the speed of growth of the national economy, the distribution between accumulation and consumption in the national income, the changes in the industrial structure, the scale of investment, the direction of major investments and the major investment projects, the necessary price controls, and the ratio between public consumption and individual consumption. Under the unified policy and decrees of the state, the enterprises will make decisions individually concerning microeconomic activities, including production, supply, sales,

personnel, finance and material, as well as the updating of facilities and the use of their own funds. Thoroughly change the system of turning profit over to the state and the system of delivering both taxes and profits to the state by the state-run enterprises into the system of taxation, therefore further improving the relationship between the state and the enterprises. Reduce the unnecessary administrative intervention by the departments and localities in the daily business activities of the enterprises, let the enterprises have greater decision-making power in business, and on this basis implement independent accounting and the assumption of one's own profits and losses to varying degrees on the enterprises. Change the condition of the existing labor system in which staff members and workers can enter but not exit and can move up but not move down. With the maturation of the factors, gradually expand the freedom of individual laborers in such economic activities as job selection, and permit the rational flow of staff members and workers within a definite realm.

Third, in respect to the structure of economic regulation: Set up a regulatory structure which takes planned regulation as the leading factor and which combines planning with the market. We must exercise control in major areas and allow freedom in minor areas. We should focus the work of state planning on the medium- and long-term planning with the five-year plan as the key. Primarily through implementing the plan for distribution of the national income, we should do a good job of maintaining a comprehensive balance on the macroeconomic scale, which means a balance between overall demand and overall supply, as well as a balance between the major structures, such as accumulation and consumption, social consumption and individual consumption, and between the two major categories and major industrial sectors. For this purpose, the state must seriously control the overall scale of investment, the major investment directions and key construction projects, in order to prevent the occurrence of "investment hunger" and guarantee a harmony in the major proportionate relationships. Under such a prerequisite, in order to guarantee the key targets of necessity, the state must implement command-style procurement and allocation over a few resource-type products of short supply (such as energy and the primary raw materials) which cannot be solved in a short period of time by production or development and by the readjustment of the import-export structure. Other than that, in the daily production, supply and sales activities of an enterprise, the enterprise should formulate its plans according to market news (including the news provided by the state), and include them in a balanced manner from the higher to the lower level in the guidance-style plans issued by the state. However, ultimately, these plans should be based on the implementation of contracts among enterprises. Our experiences have proved that, with the exception of the abovementioned special situation, if we simply adopted the method of administrative decrees toward other materials in shortage, then things would often go contrary to our wishes. Instead of solving the problem of shortage, we would intensify the tension between supply and demand. Thus, we should rely primarily on economic measures to change the condition of

shortage of products by creating a limited buyer's market. As regards the small commodities of all varieties and the presently so-called third-category agricultural sideline products, we can implement free production without planning, and use them as supplements to the planned regulation. Whether in command-style planned management or in guidance-style planned management, we must utilize the law of value and make use of such economic levers as prices, taxes, and credit and loan interests to carry out regulation, and combine planned regulation closely with market mechanism. Corresponding to the regulatory system of combining planning and the market, we should implement the price system that integrates unified pricing by the state, floating pricing agreement and free pricing, and gradually expand the realm of floating prices. Of course, the abovementioned regulatory system can only come into being gradually with economic development and the improvement of management level, the gradual reduction of the realm of command-style planned management, and the corresponding expansion of the realm of guidance-style planned management. In order to actively bring into play the role of the various economic levers, in particular that of prices, we must implement a reform on the current price system. We should thoroughly plan and discreetly handle this work in order to actively create the condition for an all-round reform.

Fourth, in respect to the structure of interest: Set up a structure of interest which integrates the interest of the state, the interest of the collective and the interest of the individual and which enables the three to promote one another. In respect to the relationship of interest, we must oppose the previous tendency of onesidedly emphasizing the interest of the state and neglecting and even harming the interest of the collective or the individual. We must also oppose certain tendencies in recent years of onesidedly emphasizing the interest of the collective or the individual and neglecting and even harming the interest of the state. In respect to income distribution of the state-run enterprises, we should guarantee that the state gets the largest share. This is an important principle which we must persevere in order to consolidate the socialist system and guarantee the development of the socialist economic construction. We should allow differences in the income distribution of different enterprises with different levels of production and management, and solve the problem of letting the enterprises eat out of the "same big pot" of the state. At the same time, we should change the situation of divorcing the income of staff members and workers from the business results of the enterprises and the labor contributions of the individuals, further implement the principle of distribution according to work, overcome egalitarianism among individual laborers, and solve the problem of letting staff members and workers eat out of the "same big pot" of the enterprises. With the development of the economy, the income of the staff members and workers should gradually increase. We should not set a highest or a lowest limit. However, the growth of per-capita income of the staff members and workers calculated by the enterprises must be lower than the growth of the labor productivity by all people. The state can impose cumulative income tax or bonus tax in order to appropriately control the irrational increase in income and consumption.



Fifth, in respect to the organizational structure: Set up a structure of economic organization and management that meets the objective demand for socialized mass production and that organizes economic activities according to their intrinsic relationships. The concerned departments of the central authorities should continue to manage the railroad, posts and telecommunications and civil aviation sectors, as well as nationwide companies and a few large-scale core enterprises whose production and sales relationship affects the whole country. Most other enterprises should, from now on, be primarily managed by the cities where they are located. We should change the existing system of organizational management according to administrative system and administrative region which involved the separation of central and local authorities, the separation of urban and rural areas, blockage of circulation, and diverse leadership in managing the economy. According to the principle of division of labor between party and government and separation of government and enterprise, the party committees at various levels should primarily undergo ideological and political work, guarantee and supervise the implementation of the party's principles and policies, and strengthen the leadership over economic work. We must pay attention to giving play to the role of the undertakings, in particular that of the cities, in respect to organizing the economy. The departments in charge of the undertakings must emphasize properly the plans for development, the economic policies, technological policies, technological standards, the popularization of new technology and the development of new products. The cities must do a good job of the overall planning, coordination, service and supervision over the economic activities of the enterprises. We must take the economically more developed cities as the centers and gradually form open-style economic zones of all types with the cities as the support, and organize economic integrated bodies of all types that go beyond undertakings and regions according to specialized cooperation and economically rational principles, so as to strengthen the horizontal relationship among the enterprises. Inside the enterprises, we must, on the basis of expanding the limits of authority of the factory head in production and business management, gradually implement the system of responsibility for factory heads. At the same time, we must set up and perfect the system of democratic management that combines participation in management by staff members and workers and self-initiated management. The manager (or factory head) of large-scale state-run enterprises will be assigned by the departments in charge of the state in consultation with the enterprise staff members and workers. The managers (or factory heads) of other enterprises will be hired publicly by the enterprises or elected in a democratic manner by the staff members and workers. Under the supervision of the enterprise staff members and workers, the managers (or factory heads) will assume full responsibility for the daily production and business management of the enterprises.

Because the above-mentioned model is designed according to our country's specific situation in the comparative study of the various possible theoretical models of socialism, the implementation of this model will be favorable to bringing into full play the enthusiasm of the localities, the enterprises and the individual laborers under the unified and planned

guidance of the state, to promoting the development of the social productive forces, to overcoming bureaucratism, and to enabling our country's national economy to attain higher results in a planned and proportionate development.

Some comrades are worried about whether or not we can guarantee the balanced development of our macroeconomic activities by adopting this model. Involving such a model, the major modes of decision-making are different for macroeconomic activities and for microeconomic activities. The question of how to enable the enterprise to make decisions according to market information that conform to the overall plan and goal of the state is in practice a very complex one. Thus, this worry is not without cause. However, this model itself has provided the necessary economic strength and regulatory measures for the state to control the economic activities of the enterprises according to the overall plan. Thus, we feel that we can overcome the difficulty of coordinating the microeconomic decision-making of the enterprise with the decision-making involving macroeconomic plans.

The so-called macroeconomic balance is, most importantly, the balance between the overall supply and overall demand in the national economy, the balance in the distribution between accumulation and consumption in the national income and the balance in production between the two major categories of products. In addition, in this model, these basic proportionate relationships can all be controlled by the state through direct or indirect planning.

First of all, the state can make use of such forms as taxes and other payments to concentrate a large portion of the national income created by the enterprise which is equivalent to the overall profit of society. The state directly plans the distribution of this portion of the national income in investment and social consumption (including spendings in national defense, administrative management, culture, education and public health, scientific cause and other welfare causes). Although the enterprises have the right to distribute the other portion of the national income, the state can still carry out indirect or even direct planned control through such economic parameters as prices, credit and loans, taxes and wages. For instance, it can stipulate the ratio of what the enterprise uses as income distribution among individuals to production growth and the improvement of labor productivity as well as to the national income created by the enterprises, so as to stipulate the rule for imposing surplus-quota cumulative tax when the individual's income has surpassed a certain limit.

Secondly, in order to maintain a balance between the two major categories of the general product of society, and enable that to correspond to the ratio between accumulation and consumption, the state can, on the one hand, conduct scientific forecast in the two major categories of production for that particular year and use that as the primary basis for determining the proportionate relationship between accumulation and consumption, thereby enabling the overall demand of society for the

first-category products and second-category products to correspond with the overall supply of the two categories. On the other hand, the state can also make use of its power of carrying out direct distribution of investments and funds and make use of the economic levers to influence the direction of distribution of investments and funds for the enterprises, so as to decisively influence the rational formation of a proportionate relationship between the two major categories as well as among the various industrial sectors, thereby bringing about a rational industrial structure.

Of course, here, we have a question of what the appropriate proportion of the entire investment funds the state and the enterprise should respectively have. If the proportion in the enterprise's hands is too small, it will affect the enthusiasm of the enterprise in expanding reproduction. If the proportion in the state's hands is too small, then, the state will lose its powerful means of directly controlling the maintenance of a macroeconomic balance. This question can only be solved through practice. In principle, this proportion should be favorable to giving play to the enthusiasm of the enterprise in expanding reproduction as well as to guaranteeing that the state will have sufficient means to directly control the maintenance of a macroeconomic balance. As for a specific proportion, we anticipate that, in the early stage of the implementation of this model, the proportion of state control can be greater and then gradually reduced year after year. If this proportion is too small, affecting the macroeconomic balance, then it can be increased. Through repeated practice, we can find a more appropriate proportion. Of course, this proportion can be closely related to the extent of how efficient the state makes use of the economic levers to carry out indirect control. If the level of indirect control is higher, the proportion of the state's direct control can be smaller. Inversely, it can be greater. In short, in order to guarantee a macroeconomic balance, the state must have sufficient power of initiative in the concerned problems.

Some comrades have recognized the shortcomings of our country's present price system and feel the need to carry out reform accordingly. However, they are worried that adopting the abovementioned target model will bring about price fluctuation--price hikes and monetary inflation. In fact, the basic reason for price hikes lies in the macroeconomic imbalance when the overall demand exceeds the overall supply in the national economy and not in the market regulation involving the daily economic activities of the enterprises. In the above-mentioned planned economic model, the macroeconomic balance is guaranteed by the plan. The self-initiated economic activities of the enterprises can only be carried out within the general realm stipulated by the plan. Thus, as long as the state adopts correct measures to maintain a macroeconomic balance as well as a control over the economic activities of the enterprises, it can also maintain a relative stability in prices.

Although the implementation of this model may in general be more ideal, yet, it does not mean that the all-round implementation of this model is an easy matter. Seeking a target model and fixing a strategic goal for the reform of our country's economic system is necessary for clarifying the direction for adopting the measures and steps in the process of the reform at present and in the future. However, to realize this strategic goal in an all-round manner, we must not only be equipped with fine objective factors, but must also be equipped with the necessary subjective factors.

For instance, in the all-round implementation of this target model, we must basically change the basic modes and major measures of the former state planned regulation and bring into full play the role of the law of value and market mechanism. This requires a more generous supply of commodities and materials and more abundant reserves, which is the prerequisite of the formation of a relatively stable buyer's market. Otherwise, if we are confronted with an all-round shortage of commodities and materials, we will very easily return to a centralized system of administrative management, and will have difficulty realizing the above-conceived model. At present, our country has already scored major results in the readjustment of the national economy. In certain respects, a trend showing the conversion from a seller's market to a buyer's market has appeared. However, because we have not yet uprooted the "investment hunger," this trend is still very unstable. A considerably long period of time is still needed for the formation of an all-round relatively stable buyer's market. At the same time, our country has a large population, a very weak foundation, excessive labor force and inadequacy in certain resources, all of which contribute to difficulties which will objectively restrict the progress of our country's reform in a considerably long period of time in the future.

Or for instance, to realize this target model, the economic work personnel at various levels of the state and enterprise management personnel are required to possess a higher management level. However, in a relatively economically and culturally backward country like ours, to train more management personnel who understand technology, know management and who are both socialist-minded and vocationally proficient to meet the needs of this target model is also not something we can accomplish in a short period of time.

Based on the above-mentioned reasons, we maintain that the all-round realization of the target model for our country's economic reform will require a relatively long process which we should not and cannot accomplish in one move. However, incidentally, all the difficulties and problems which exist in our country economically at present are brought about by the old system. Thus, it is likewise obviously unrealistic to expect to overcome these difficulties by relying on the old system the way it is to create the conditions for the all-round realization of the target model which we have conceived. Furthermore, since the Third Plenary Session of the 11th party Central Committee, we have already implemented a series of reform measures. Among them, we have already scored major



breakthroughs in the reform in the rural areas and a new model of a rural economic system is gradually being formed. Some progress has also been made in the reform in the urban areas, although the reform measures have basically not gone beyond the realm of the reformed model. In the near future, it appears that we must continue to adopt certain methods of the previously mentioned reformed model. However, in order to more thoroughly eradicate the shortcomings of the old system, we should adopt more positive measures to prepare the conditions for further realizing the target model which organically combines planned regulation and market mechanism. Recently, in order to accelerate the pace of the urban reform, we have proceeded from solving the relationship between the state and the enterprise and between the enterprise and the staff members and workers. In realizing the second step of the substitution of tax payment for profit delivery, we have set up all forms of system of responsibility inside an enterprise, implemented the policy of not setting a highest and lowest limit on bonuses, and expanded the decision-making power of the enterprises, and preliminarily assembled into a complete set the reform measures which are suitable to our current situation. This is an important step in advancing toward a target model. In short, we must adopt a positive yet discrete attitude in carrying out economic reform and advance steadily.

The question of a target model for the reform of our country's economic system was put forth by our country's economic theoretical circle shortly after the Third Plenary Session of the 11th party Central Committee had put forth the task of reform. Or, to put it in other words, we have still paid too little attention to the study of this question and have failed to meet the demands of the reform. Over the last few years, the problems which resulted from the failure of having a complete and systematic set of reform measures are related to a certain extent to our insufficient study of a target model for reform. In this report, we have only presented an outline of our viewpoints on this problem. Because of its importance and complexity, this problem still requires explanation in many respects theoretically and continuous verification in practice. The accomplishment of this work will await the cooperation and hard work of the broad masses of economic theoretical workers and practical economic workers. (Editor responsible for this article: Xiao Liang [2556 0081])

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## NATIONAL POLICY AND ISSUES

## HEBEI GOVERNOR DISCUSSES REFORMING ADMINISTRATIVE ORGANS

HK090630 Beijing JINGJI RIBAO in Chinese 30 Jan 85 p 2

[Article by Hebei Governor Zhang Shuguang [1728 2562 0342]: "Establish a Service-Type System of Government Administration--Notes on Studying the 'Decision of the CPC Central Committee on Reform of the Economic Structure'"]

[Text] The "Decision of the CPC Central Committee on Reform of the Economic Structure," adopted by the 3d Plenary Session of the 12th CPC Central Committee, points out: After the proletariat and the whole people take state power in their hands, it becomes a basic function of the state organs to lead and organize economic construction. The decision also explicitly defines the eight functions of government organs in managing the economy. In order to bring into full play the functions of government organs in managing the economy, it is necessary to correspondingly reform the state's administrative organs, to establish a fairly comprehensive system of social government administration with Chinese characteristics, and to promote tremendous development of the planned commodity economy.

## I

China's administrative organs and system basically took shape in the 1950's. Many of their aspects have failed to suit and, in some cases, even obstructed, the development of the productive forces. The roots lie in our failure to understand that the separation of the functions of government and enterprises as well as simpler and decentralized administration constitutes a deep-going transformation of the socialist superstructure, that state ownership of enterprises can be properly separated from the right to manage or operate enterprises, and that enterprises are relatively independent socialist commodity producers and operators. The in-depth development of the reform of the economic structure has touched the administrative organs, which belong to the realm of the superstructure. We have come to increasingly realize that it is absolutely necessary to reform the administrative organs. The "decision" has pointed out the orientation, nature, objectives, and tasks of reform and laid down various basic principles and policies for carrying it out. This has enabled us to profoundly understand that the socialist state organs exercise the function of leading and managing the economy, but this does not mean that they should directly manage enterprises or interfere with the routine production and operation of enterprises.

Therefore, resolutely implementing the principle of separating the functions of government and enterprises, streamlining administration, instituting decentralization, and invigorating the enterprises has become a matter of crucial importance in the reform of government administrative organs.

The separation of the functions of government and enterprises refers to the relationship between the government and enterprises. If the government economic management departments do not thoroughly institute decentralization by voluntarily putting enterprises under a lower administrative level, it will be impossible to separate the functions of government and enterprises and to genuinely invigorate the enterprises. From now on, government departments at various levels will not manage or operate enterprises directly, and the six rights of enterprises should, without exception, be directly transferred to the enterprises. In terms of structure, by refraining from managing or operating enterprises directly, the economic management departments at the provincial, prefectural, city, and county levels can bring into full play the role of key cities in organizing economic activities, utilize the huge economic strength of key cities, expand the influence and appeal of key cities, and gradually form open and inter-connected economic zones of various sizes with support from the key cities. Separating the functions of government and enterprises does not weaken the functions of government, but strengthens them. In this way, the government can concentrate its efforts on major issues and the situation as a whole, exercise macroeconomic control, shift the focus of work to planning, guiding, coordinating, supervising, and service work, and conscientiously serve enterprises and the grassroots units. Only in this way will it be possible for both the government organs and enterprises to stick to their own posts, to attend to their own duties, and to give full play to their abilities, thus stimulating the vigorous development of economic construction.

## II

In order to correctly bring into play the functions of government organs in managing the economy, it is also necessary to properly readjust and reform the establishment of administrative organs, to streamline the administrative structure, to reduce the number of personnel, to place administration and management on a scientific, legal, and advanced basis, and to improve administrative efficiency. In 1983 we conducted some reforms of the administrative organs and attained some results, but we still failed to solve these problems once and for all. In line with the principles of serving the people, streamlining the administrative structure, exercising unified leadership, and improving efficiency, we should be determined to drastically readjust and reform the administrative organs at all levels and to transform them from "command-type" organs into in favor of a broad outline for a meticulous division of labor. In line with the principle of streamlining administrative organs on a rational and scientific basis, we should develop comprehensive departments. Temporary organs and administrative companies should be resolutely disbanded, departments in charge of similar professional work should be combined, and those which can suitably be turned into economic entities should be. That is to say,

our existing administrative organs also face the question of closure, suspension, merger, or a shift to other work. Administrative organs should be set up in line with the eight functions of government organs in managing the economy and with the needs of work, such as strategic studies of economic development, information feedback, the new technological revolution, the development of competent personnel, the open-door policy, economic cooperation with other provinces and regions, and service to the economy. They should not stress the "coordination of the upper with the lower levels." We should proceed from the actual conditions and avoid "uniformity." In arranging the internal structure of administrative organs, we should also break away from the convention of setting up "small but complete" organs, simplify them by cutting off the superfluous, and set up departments (sections) or offices with a view to serving and developing the economy. In line with the principle of integrating responsibility and authority with benefits, we should institute and perfect as fast as possible the internal functional organs and the responsibility system of working personnel so that we can genuinely fulfill what Premier Zhao Ziyang required of us: Do not set up many organs if one organ can handle the work; do not set up organs at several levels if organs at one level can handle it; and do not provide several personnel if one can handle it.

After the reform of administrative organs, we should transfer most of the surplus personnel to social services and the tertiary industry and some of them to enterprises. This is a general orientation. So long as we emancipate our minds, face the economic construction, reform, and future, and are bold in forging ahead, we can open up many channels for the surplus personnel and make proper arrangements for them.

In restructuring the economy last year, some government organs in charge of economic management were reorganized, by administrative means, into specialized companies or general companies. Some of these companies were run on a provincial scale, some on a regional scale, and some on a trade or professional scale. A considerable number of companies are, in fact, administrative organs, although they bear the names of companies. Practice has proven that these companies do not have vitality. With the continuous in-depth development of the reform of the economic structure, focusing on the urban economy, it is necessary for these administrative companies to carry out consolidation and reorganization or even to be abolished. In the government administration department there are also some units and institutions which manage to get along on the operating expenses issued to them and which carry out the practice of "everybody eating from the same big pot." It is also necessary to reform these units so that they can follow the path of enterprises.

### III

The reform of administrative organs is aimed not only at eliminating such bureaucratic maladies as organizational overlapping, overstaffing, vague delimitation of functions, and endless wrangling, but also at bringing into full play the functions of government organs in managing the economy. Some departments should be replenished and strengthened.



First, it is necessary to step up the strategic studies of economic development. This area is still a weak link in our province. There should be an authoritative comprehensive department to assume this task. The planning and economic commissions, the economic research center, and other departments should unite, shift the focus of their work to the strategic studies of economic, technological, and social development, pay close attention to macroeconomic management, and provide scientific bases for macroeconomic decisions.

Second, it is necessary to set up a sensitive information feedback system. On the basis of streamlining administration and instituting decentralization, the provincial government has readjusted its internal administrative organs, strengthened the information feedback capability, and set up a crisscross information network. The horizontal information network has strengthened the contacts between various prefectures, cities, and counties and, in some counties, has also been extended to township enterprises and specialized households. The vertical information network has strengthened the contacts between the local authorities and the commissions, offices, departments, and bureaus directly under the provincial authorities. With the establishment of information service centers in Beijing, Tianjin, Shanghai, Guangzhou, northeastern China, and Nei Monggol, the information network with other provinces and regions has strengthened our contacts with other fraternal provinces, municipalities, and autonomous regions. Practice has proven that the establishment of information networks is not only an important means for modernizing leadership work, but also an important and indispensable link in correctly bringing into play the functions of government organs in managing the economy.

Third, it is necessary to strengthen the building of "think tanks" and "consultancy" institutions. The provincial, prefectural, and city governments have set up different forms of "think tanks" such as research offices and investigation and study offices. These have played a positive role in helping the leading bodies make policy decisions. Government at all levels should strengthen the research institutions with keen-witted, capable, and knowledgeable personnel. We can also engage the right number of experts, professors, scholars, and other people with foresight as research fellows or advisors and form a multi-tier and multi-structure investigation and study network. We should fully use collective wisdom in carrying out investigation and study and provide leading bodies with reliable and scientific bases and the best plans for reference. In the course of practice we have come to realize that only by paying close attention to the "think tanks" on the one hand and the information feedback on the other, linking them, and forming a cycle of decisionmaking, implementation, and feedback is it possible for the governments at all levels to constantly improve themselves and to make correct decisions and exercise correct leadership.

Fourth, it is necessary to set up a highly efficient management organ for opening to the outside world. At present there is still not a sound and unified organization in our province to strengthen coordination and guidance over this work. We have not genuinely opened up a new situation in opening to the outside world. According to our preliminary plan, the provincial economic and trade department, the office in charge of development projects in foreign countries, and the office in charge of foreign tourists and Overseas Chinese affairs will



jointly set up a unified and highly efficient management office which can play the role of the government. Under the direct leadership of the provincial government, the management office will make overall arrangements for the work of opening to the outside world and strengthening economic cooperation with other provinces and regions, face the world and the whole country, open the door of Hebei wide to the rest of the world and the country, formulate the policies of giving preferential treatment, and adopt numerous forms and channels to absorb funds, technology, and competent personnel from abroad and from other provinces, municipalities, and autonomous regions in order to speed up the development of Hebei.

Fifth, it is necessary to flexibly apply economic and legal means in regulating economic activities. Following the reform of the economic system and the further enlivening of the economy, the state should make full use of effective economic and legal means to maintain a balance in the macroeconomy. The work of the various departments exercising the functions of economic management such as finance, taxation, industry and commerce, pricing, banking, auditing, and supervision should be strengthened and not weakened. The taxation work in particular must be strengthened. At the same time, it is also necessary to step up economic legislation and judicature.

Sixth, it is necessary to attach great importance to the development of science, technology, competent personnel, and intellectual resources. Economic development depends on scientific and technological progress; the key to scientific and technological progress lies in competent personnel; and the growth of competent personnel is based on education. Science and technology departments should conscientiously shift the focus of their work to serving economic construction and concentrate their forces on the import of competent personnel, the tackling of key scientific and technological problems, and the supply of technological services, so that they can genuinely become government comprehensive service institutions for developing science, technology, competent personnel, and intellectual resources. The education departments should take a broad and long-term view, further emancipate their minds, and run schools by numerous channels in order to train competent personnel speedily and in large numbers. Science, technology, and education should be integrated in a flexible way, and advance simultaneously in order to lay a solid foundation for the achievement of our province's strategic objective.

#### IV

While reforming the administrative organs, it is necessary to improve the ideological style of the leading bodies, because the two affect each other. Both the organs and ideological style must be reformed. At present, I think we should concentrate on solving the following two problems:

1. Necessary to shift all government work to the path of working for the people and happiness of the people. The eight functions of government organs in the new economy specified in the "decision" can also be summed up in the word "people". This represents a fundamental change in the guiding ideology. Our bureaucratic office workstyle of departing from reality and the masses must be thoroughly changed.

2. It is necessary to go deep into the reality of life to conduct investigations and studies. In reforming administrative organs, we do not have ready experiences for reference, still less set patterns to copy. The best way is to practice conscientiously according to the "decision" and to learn, explore, blaze new trails, and improve and develop our experience in the course of practice. This makes it necessary for us to overcome the way of thinking of the lazy seeking unearned gains, to stir ourselves, to go into the reality of life and the masses for more investigation, to use our heads, to learn from the colorful economic life, to sum up the new experiences created by the masses, and to blaze a new trail.

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## NATIONAL POLICY AND ISSUES

### SOCIETY OF COMMERCIAL ECONOMICS HOLDS MEETING

HK010852 Beijing RENMIN RIBAO in Chinese 25 Feb 85 p 5

["Academic Trends" column by Su Xuesheng [5685 1331 3932]: "Second Annual Meeting of the China Society of Commercial Economics"]

[Text] In early December 1984, the China Society of Commercial Economics held its second annual meeting in Guilin. On the basis of studying the "CPC Central Committee's decision on reform of the economic structure," deputies at the meeting discussed various issues concerning reform of China's commercial economic system.

They held that ensuring a planned commodity economy is the fundamental guideline for reform of our commercial system. According to this guideline, the commercial system should break the shackles of the mentality of the natural economy and the product economy and really demonstrate the characteristics of the commodity economy which is based on market activities. Only thus can it be suited to the new situation of great development of the commodity economy and bring the significant role of commerce into play in the development of the national economy.

The strategic objective of commercial development is related to, and also different from, the strategic objective of commercial structural reform. In general, the strategic objective of commercial development should include the strategic objective of the structural reform in commerce, and the latter should be subordinate and oriented to the former. According to the spirit of the 3d Plenary Session of the 12th CPC Central Committee, the strategic objective of the structural reform in commerce is to establish a dynamic and efficient socialist commercial system with Chinese characteristics, which can effectively invigorate commercial enterprises, facilitate the circulation of commodities, promote the development of the commodity economy, enhance productivity, and better satisfy the consumption needs of the people.

Many deputies held that the strategic priority in our present reform of the commercial system should be given to efforts to bring market mechanisms into full play and to use market mechanisms to help our commercial management and the planned economy. Markets constitute a hub of all economic activities and have a strong promotive force to production development. The role of the market mechanisms is mainly reflected in the regulation of the commodity economy by market forces in accordance with the law of value. The market mechanisms have

the characteristics of spontaneity, equality, and generality, and can regulate relations of various economic interests by rewarding the good and punishing the bad and can arouse the initiative of the enterprises in transforming, improving, and developing themselves, thus promoting the development of social production. Conscientiously following and applying the law of value and the law of supply and demand is the basic content of the planned commodity economy. Some comrades stressed that the introduction of the market mechanisms into state commerce and into commerce handled by supply and marketing cooperatives is one of the key subjects that we should properly tackle in our commercial structural reform.

At the meeting, deputies held that the imminent tasks for our commercial structural reform are to separate the functions of enterprises from those of government institutions and to invigorate enterprises. A major breakthrough should be made on this point. When separating the functions of enterprises from those of government institutions, we should study how the government should properly manage commerce and how to reorganize the existing management should be more flexible, and it is necessary to further diversify the economic forms, circulation channels, business modes, and forms of joint ventures. Third, it is necessary to make full use of the regulatory role of the market mechanisms and the law of value. Not only should we make use of the subsequent regulatory role of the law of value, but we should also conscientiously apply the law of value in preplan regulation. It is necessary to reform the price management system which is now excessively centralized. The scope of centralized pricing should be narrowed and the scope of floating prices and free prices should be expanded. Fourth, a reasonable network for commodity circulation centered on cities should be built. Fifth, the contract responsibility system should be widely adopted in commercial businesses so as to ensure the correct handling of relations between the state and enterprises and between an enterprise and its workers and to arouse the enthusiasm of operators and workers for improving service quality and business results. Sixth, new technologies and new management methods should be adopted to promote the modernization of commerce and management.

Deputies at the meeting also discussed such special subjects as the reform of the wholesale system, the establishment of industrial goods trading centers, the reform of the retail system, the reform of the system of rural supply and marketing cooperatives, the reform of the commercial grain system, and the reform of the management over the wholesale markets for agricultural and sideline products.

CSO: 4006/452

NATIONAL POLICY AND ISSUES

NEW KEY STATE PROJECTS ANNOUNCED

Beijing GUANGMING RIBAO in Chinese 7 Jan 85 p 1

[Article by Xu Yaozhong [1776 5069 0022]: "State Planning Commission Decides On 169 Key State Projects for This Year; Scale of Projects Must Be Strictly Controlled, Emphases Must Be Conscientiously Guaranteed"]

[Text] The State Planning Commission and concerned quarters have decided on a total of 169 key projects for the whole nation in 1985 to be organized for construction according to rational construction time. The Planning Commission has called on involved departments and regions to conform to the spirit of "strictly control the scale, conscientiously guarantee the emphases" in capital construction, adopt effective measures, concentrate our resources and do a good job in building this group of key projects.

Of this group of key projects, 60 belong to the area of energy, which occupies a prominent place. Once they are completed, these projects will increase our exploitation capacity of raw coal by 84.3 million metric tons. In the period of the Sixth 5-year Plan we can increase our exploitation capacity of crude oil by 31,330,000 metric tons and power equipment generating capacity by 24,305,000 kilowatts. There is a total of 39 projects in the communications and transportation area, primarily in building multiple railroad tracks and electrification projects as well as program-controlled switchboard projects along coastal ports and in the post and telecommunications area. Moreover, there are 33 projects in the raw materials industry, 8 national defense and military projects and 13 projects in the automobile, light and textile industries.

Of the 169 key projects this year, 123 are left over from last year and the other 46 are new. New key state projects primarily include the extended and expanded construction projects of five key universities of Beijing, Qinghua, Fudan and others as well as a number of local projects.

9586  
CSO: 4006/319



NATIONAL POLICY AND ISSUES

COMPULSORY PERMIT SYSTEM IN PATENT LAW DISCUSSED

Shanghai SHEHUI KEXUE /SOCIAL SCIENCES/ in Chinese No 11, 15 Nov 84  
pp 49-51

/Article by Dong Likun /5516 4539 0981/: "Brief Discussion of the  
Compulsory Permit System in Patent Right Implementation"/

/Text/ Compulsory permits in patent implementation is an  
important system in the patent law of various countries, particularly  
the patent law of the developing countries. The patent law of our  
country has also provided stipulations in a special chapter. Fully  
recognizing this system, especially profoundly understanding the  
provisions concerning compulsory permits in the patent law of our  
country is absolutely necessary in protecting and utilizing  
inventions and promoting modernization.

1

The so-called compulsory permit in patent implementation means that  
an invention that has been granted a patent right in a certain country  
must be used in industrial production of that country within a stipulated  
period of time; if without any proper reasons a patentee fails to  
enforce or enforce fully utilization of the patented invention in that  
country, the authorizing country may, in accordance with the  
applications of other persons, compel the patentee to allow others  
to utilize that patented invention. In appearance, the compulsory  
permit system of a patent is incompatible with the patent right, which  
has the monopolistic characteristic of excluding any other person  
from using the invention without the consent of the patentee. As a  
matter of fact, this is only incompatibility in appearance, for the  
compulsory permit system in actuality is precisely a more effective  
means to ensure that the objective set for implementing the patent  
system is achieved.

Briefly speaking, the patent law is a law to protect the patent  
rights. There may be varied reasons given by different countries  
as to why patent law is formulated to protect the patent system. The  
following two reasons seem to apply in common: 1. By granting an  
inventor the patent right, it will make his invention public so as to

promote scientific and technological progress. 2. Through the use of the patented invention, the authorizing country can promote the country's economic development. But the objective of various countries in implementing the patent system has often clashed with that of the patentee in patent application. A most fundamental reason is that when a person applies for a patent for his invention, he wants to exploit the patent right monopoly to gain the maximum economic benefits for himself. In capitalist countries, for fear that new advanced technology may undermine the monopolistic position they have already gained in certain undertakings, some big capitalists often chose to buy out the patent rights at high prices and then pigeonhole them in order to prevent them from being utilized, thereby stifling the development of new technology. The compulsory permit system of patent implementation has stipulated that an invention that has been granted a patent right must be put into use industrially within a stipulated period of time; if the patentee does not utilize it himself, the compulsory permit system may assign another person to utilize it. This way will ensure that the patented invention will be used effectively to play the role of promoting technological progress and economic development in a true sense.

The compulsory permit system of patent implementation is of vital significance particularly to developing countries. The objective of developing countries in implementing the patent system is to absorb new technology and apply the patented invention to industrial production so as to advance economic development. However, because the cultural level is low and science and technology are backward, very few patents have ever been granted to the citizens of those developing countries and a considerable portion of the patent rights is in the hands of developed countries. The developed countries, on the other hand, have used the patent system to monopolize the ownership rights of new technology and new inventions in the developing countries and, under the pretext that the developing countries are not ready to enforce utilization of the patented inventions, have turned the developing countries into a monopolistic market for dumping their patented products. To cope with this situation, the developing countries have used compulsory enforcement as a means to compel the genuine utilization of foreign patents in their countries in safeguarding their national sovereignty and national economic interests. The compulsory permit of patent implementation was provided in the Paris convention signed in 1883 for the protection of industrial property rights. The struggle between the developed and developing countries over this system has been going on for 100 years.

The struggle waged by the developing countries in restricting the abuse of patent rights and ensuring the utilization of patented inventions in authorizing countries has been confined to two areas. First, many developing countries have taken measures by strengthening domestic legislation to sanction those patentees who do not utilize the patent rights granted for their inventions. The "Invention and

Trademark Law of Mexico" is a typical representative. According to the provisions of this law, "a person who is granted the patent right must assume the duty to use the invention in Mexican territory and the use of the invention should begin within 3 years after the patent is issued" (Article 41). The issuance of a permit of enforcement is justifiable for a patent under one of these conditions: If the "patented invention is not utilized" 3 years after the patent is issued, or "the continuous use of the patent is suspended for over 6 months," or "the use of the patent does not satisfy the needs of the domestic market," or "while the use of the patent has not involved the export market, some people have expressed interest in using this patent for the purpose of export" (Article 50). The Mexican law has also made it specific that if a patentee fails to use the patent 4 years after it is issued or there is no one to apply for the use of that patent, the country can revoke the patent right granted to that patent. Second, the developing countries have demanded that the enforcement of the patent rights in the authorizing countries be guaranteed by the formulation and revision of international treaties, particularly by means of revising the Paris convention. The Paris Convention is a most important and influential international treaty for the protection of patent rights. There were 101 convention countries as of 5 May 1983, most of which are developing countries. The Paris Convention has undergone nine revisions since it was first signed, the latest in Stockholm in 1967. The developing countries, however, are still not quite satisfied with the provisions concerning the compulsory permit in the Stockholm version, and a diplomatic conference was held in Geneva in February 1980 to revise the Paris Convention. The conference, however, did not achieve any results. A second diplomatic conference was held from September to October 1981 in Nairobi, capital of Kenya, to revise the Paris convention. The first committee of the conference reached an agreement on revising Section A of Article 5 of the Paris Convention (the section concerning the compulsory permit of patent enforcement). The main highlights were: (1) the law of a convention country has the right to ask the patentee to utilize his invention in the country, and imported products cannot substitute for utilization; (2) a convention country in general has the right to adopt measures through legislation to check against the abuse of patent rights; (3) a convention country in general may expropriate or revoke the patent right 2 years after a nonvoluntary permit (that is compulsory permit) is approved if the abuse of patent right still cannot be curbed; (4) special provisions have been made for developing countries; (a) requirements for approving compulsory permits may be slightly relaxed; (b) under certain conditions, a compulsory permit may be monopolistic in nature; (c) the expropriation and revocation of a patent right may not necessarily be done by going through a compulsory permit first. What merits our attention is that all these stipulations represented a giant stride forward as compared with the 1967 version, especially those stipulations applicable to the developing countries which have even appeared in the original version before.

It must be pointed out that even though the legislation of various countries and international treaties may formulate all kinds of compulsory measures to compel a reluctant patentee to implement his patent right, there is a limit to these compulsory measures in actuality.

First of all, a patent was applied for by an inventor on a completely voluntary basis. Only when the inventor feels that his invention will have a good prospect of gain will he be willing to make his invention public by applying for a patent to obtain the patent right. Too short a protection period, implementation of the compulsory permit at every move, or revoking the patent rights at will may frustrate an inventor's enthusiasm in applying for a patent. In this respect, India's example will make one ponder. India promulgated a new patent law in 1970. The law has shortened the protection period from the 15 to 20 years now in effect internationally to 7 years and expanded the scope of the compulsory permit and relaxed conditions for compulsory permits. Since the patent law was promulgated and put into effect, the number of patent applications, especially patent applications by foreigners has dropped sharply. According to statistics, in 1969, the number of foreign patent applications in India was 4,158. By 1970, the number had decreased to 3,864; in 1973 the number had further dropped to 2,372; the number had dropped by over 40 percent in 4 years. The number of domestic patent applications in 1973 was lower than that in 1967. The purpose of implementing the patent system is to encourage people to make public their inventions. As far as the developing countries are concerned, most of them hope to absorb foreign new technologies through the patent system. Thus, if a patent law cannot inspire the people to make their inventions public, then it will not be able to absorb foreign new technologies. Such being the case, it can hardly be considered a successful patent law.

Second, mounting difficulties may occur in enforcing a patent if a patentee is not willing to utilize it or assign the compulsory permit of his patented invention to another person for utilization, and if the patentee still refuses to cooperate. This is due to the fact that the letter of specifications about the invention submitted by the patent applicant for a patent right only makes public his invention to the minimum extent. In most cases, people will still find it very difficult to utilize the invention based on the specifications given, this being true especially in the developing countries where the S&T level is relatively low. It is more difficult to utilize a patent by relying on this document of invention. In the meantime, we must also realize that the enforced utilization of a patented invention often has to draw support from many other special technologies. Since the special technology comes under the technological secrets which a



patentee does not have to make public, the holder of such technological secrets is under no obligation to make them public because no patent rights are granted to them. Special technology and patent are inseparable. A patent represents the principal technology and special technology stands for subordinate technology; special technology stays with the patent and a patent has to draw support from special technology; special technology serves the utilization of a patent. A patentee often uses the patent as a bait and the special technology as the bargaining chip to prevent the authorizing country from rashly enforcing the compulsory permit on him. He will refuse to provide the special technology if the authorizing country enforces the compulsory permit on his patent. Such being the case, it will make patent enforcement more empty talk. It goes without saying that in these circumstances, the authorizing country has the option to cancel or revoke the patent right. However, this step can only be taken as a last resort since the loss will be on both sides.

The practice of patent protection in various countries has proved that the enforcement of the compulsory permit or revocation of patent rights can only exist as a deterrent. In fact, very few countries have applied it, as the number of cases shows. Today, to promote patent enforcement, most countries have adopted preferential measures to encourage inventors to apply for patents and utilize them in the authorizing countries. Among the developing countries, Brazil has been comparatively successful in this endeavor. Based on the characteristics of development in the country, Brazil has expanded the scope of patent protection and implemented two kinds of new patent rights, one is called technological transfer patent right, the other is called industrial development patent right. The common characteristics of these two are: (1) all inventions to which patent rights are granted must be technologies needed by the country and never before adopted; (2) this kind of technology has lost its novelty abroad and cannot obtain patent right; (3) the prerequisites for the country to grant patent right to this kind of technology are that it guarantees genuine utilization in the authorizing country and that the patent right is granted only when this kind of technology is implemented basically. This is indeed a bold creation. As everyone knows, an invention to which a patent right is granted must have the characteristics of novelty, creativity (also called progressiveness) and practicability, of which, novelty in particular is the prime requirement for acquiring the patent right. The so-called novelty means that no similar invention has ever been openly published in publications either at home or abroad, or used publicly at home or abroad, or made known to the public in any other way prior to the day of the application. Creativity means that compared with the technology which existed prior to the day of application, the invention shows the characteristics of prominent substantiveness and marked progress. In short, novelty and creativity required in patent application demand that a patentable invention under application should be the world's newest and most sophisticated advanced technology. Undoubtedly, like the developed countries, the developing countries have also looked upon



novelty and creativity as the sole criteria for granting patent rights. This is very inadequate. First of all, there is a tremendous gap in the S&T level between the developing and developed countries and under the requirements today, most of the newest and most sophisticated inventions can only be created by citizens of the developed countries. According to statistics, among the 3 million patents in force in the whole world, West Germany claims 126,000, Japan has 250,000 and the United States has over 1 million. Most of the patents in the developing countries are held by citizens of the developed countries. In this situation, it is very hard for the developing countries to decide on invention enforcement independently and break away from the control of developed countries. Secondly, for the great majority of the developing countries where the level of development is still comparatively low, the newest and most advanced technologies are not usable. What they need most is technology that is not too advanced but relatively advanced and is essential to economic development in the respective countries. In adopting the new patent right system, Brazil has precisely taken into consideration the above situation. Since that patent right system was implemented in 1971 in that country, S&T and industry in Brazil have developed very rapidly and its economic outlook has also undergone a tremendous change.

### III

The compulsory permit system of patent enforcement in the patent law of our country was formulated after referring to pertinent international treaties and the provisions in the "Exemplary Law for the Protection of Inventions in Developing Countries" drafted in 1964 by the United International Bureau for the Protection of Knowledge Property Rights and based on the practice of the four modernizations in our country and in line with the spirit of extensively absorbing foreign advanced technology for our own use.

First, the patent law of our country has affirmed the compulsory permit of patent enforcement. Chap VI deals specifically with "Compulsory Permit of Patent Enforcement." That chapter contains a total of eight articles specifying more comprehensively the stipulations about the meaning of compulsory permit of patent enforcement, the highlights, scope, requirements and procedures thereof. Art 51 of our patent law specifying the meaning of patent enforcement is basically the adoption of the meaning of enforcement in the Exemplary Law for the Protection of Invention in Developing Countries. So-called patent enforcement means that the patentee manufactures his patented products in China himself; he uses his patented methods in our country and allows others to manufacture his patented products in our country by using his patented methods. It is obvious that the patent enforcement in the patent law of our country includes utilization by the patentee himself and also utilization by others allowed by the patentee. The key is that a patented invention authorized by our country must be put into use in our country, any import or sale of patented articles and the use of patented machinery in production will not constitute

utilization. Whenever a patentee fails to fulfill the above obligations without giving proper reasons, the patent bureau of our country can, based on the applications submitted by other units meeting the enforcement requirements, issue a compulsory permit to enforce use of that patent. In short, our country will not allow a foreign applicant to use the patent right he acquired in our country as a means of importing his patented products to monopolize our market and undermine the economic development of our country. With regard to the question of the compulsory permit of patent enforcement, the basic attitude and standpoint of our country are identical to that of the Third World countries.

Second, it must be pointed out that the compulsory permit of patent enforcement is not the objective of the implementation of the patent system in our country. The basic goal of the formulation of the patent law and the implementation of the patent system in our country is to protect inventions through the patent system, to make the inventions public and use them to promote socialist modernization in our country. Our country's patent system is fully identical to our policy of opening to the outside world and expanding international economic and technological exchange. Therefore, while specifying the stipulations of the compulsory permit system, the patent law of our country has also emphasized in particular that the permit of patent enforcement in our country is conditional. It prohibits and opposes any patentee abusing his patent right and also opposes any authorizing countries abusing the use of authority on compulsory permits. In short, the requirements governing compulsory permits in our country are fair and reasonable.

The patent law of our country has pointedly emphasized that patent enforcement by compulsory permit must be backed up by ample valid reasons as follows: (1) a patentee, without any proper reasons, fails to utilize the patent acquired in our country and does not allow others to utilize it; (2) a patent involves two components that are interdependent, such that the second component cannot be utilized without first utilizing the first component or vice versa. A compulsory permit of enforcement cannot be issued against the wishes of a patentee if the situation does not come under either one of the above-mentioned categories.

The requirements governing the issuance of a permit of patent enforcement specified in the patent law are strict. There are eight articles concerning the compulsory permit of patent enforcement in the patent law. Among them, five articles deal specifically with restrictions on the implementation of compulsory permits; (1) a unit or individual applying for the compulsory permit must "produce proof of not being able to sign a contract of permit utilization with the patentee in spite of reasonable conditions." In other words, a patentee is not responsible for showing proof of failure in patent

utilization, the responsibility rests with the applicant for the compulsory permit. (2) A unit or individual who has acquired a compulsory permit does not enjoy the monopolistic right of utilization nor does he have the right of allowing others to utilize it. This is slightly different from the stipulation specified in the "Exemplary Law for the Protection of Invention in Developing Countries" and the stipulation worked out at the second diplomatic conference held at Nairobi in 1981 to revise the Paris Convention that an authorizing country is allowed to issue monopoly permits under special circumstances. (3) The compulsory permit of patent enforcement must be registered and announced by the patent bureau and a unit or individual acquiring the compulsory permit should pay the patentee a reasonable fee. (4) A patentee who refuses to accept the decision of the patent bureau on the compulsory permit or the ruling about the fee payable for utilizing the compulsory permit may bring a suit with the people's court. (5) Our country's patent law does not have a provision on canceling or revoking patent rights. Other laws, decrees, regulations and provisions in our country have provided opportunities and conditions to guarantee the utilization of patents in our country by foreign patentees. A foreign patentee who uses the patent right he acquired in our country as capital in investment and forms a joint venture with our country is considered to have utilized his patent in our country. With the steady expansion of foreign economic cooperation, we will also open new ways for patent utilization.

The above facts tell us that our country's patent law emphasizes, on the one hand, that a patentee must be responsible for utilizing the patent right acquired in our country; our country will apply compulsory permit to enforce utilization of a patent against only those who do not utilize or do not allow others to utilize that patent. On the other hand, our country has also promulgated many restrictive requirements with regard to compulsory permits, which will be applied only as a last resort. These stipulations have fully illustrated that the patent law of our country has attached great importance to the protection of the patent rights granted to patentees. Any foreigner applying for patents in our country will be fully protected by the law.

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CSO: 4006/251

PROVINCIAL AFFAIRS

JIANGXI'S ZHAO ZENGYI AT ECONOMIC WORK CONFERENCE

OW061207 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 5 Mar 85

[Text] A provincial conference on economic work ended in Nanchang this afternoon. The meeting called on cadres, staff members, and workers in all the province's economic departments to make concerted efforts, be bolder in enlivening the economy and opening to the outside world, develop the province's economy with high efficiency and speed, and work hard to reach the goal of doubling our province's output at an early date.

The meeting seriously analyzed the provincial economic situation, and laid down this year's economic tasks. The meeting stressed the need to widely publicize throughout the province Comrade Hu Yaobang's important instruction, "one 'little bit higher' and two [word indistinct] and make it known to every household as the guiding ideology for the entire province's economic work. In industrial production, it is necessary to stress efficiency, quality, thrift, revitalization, and speed. The various trades and professions should set up numerous advanced models, propagate and spread their advanced experiences, and raise the level of the greater part of our province's enterprises to a point where they match the level of the advanced models.

The meeting pointed out that, whether our province's total industrial and agricultural output can continue its high rate of growth this year depends on whether the village and town enterprises can double their output, and the (?non-public owned) industries increase their output by a large margin. Economic departments at all levels, particularly the planning and economic commissions, should strengthen their leadership over village, town and (?non-public owned) industries, on which hangs our hope of doubling the province's total output at an early date. Therefore, we must achieve a breakthrough in increasing the output of these industries.

The meeting stressed that, to ensure the smooth progress of reform, we must resolutely stop all kinds of unhealthy practices, stabilize the market, stimulate circulation, and develop production of consumer goods to satisfy the people's needs.

During the meeting Zhao Zengyi, secretary of the provincial CPC committee and provincial governor, heard a report on the progress of the meeting, and spoke. Qian Jiaming, member of the Standing Committee of the provincial CPC committee and chairman of the provincial economic commission, presided over today's closing ceremony. Liang Kaixuan, vice provincial governor, made a summing-up speech.

PROVINCIAL AFFAIRS

SHAANXI ISSUES REGULATIONS ON INVIGORATING ENTERPRISES

HK130405 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 12 Mar 85

["Summary of 14-Point Policy Regulations Issued By Shaanxi Provincial CPC Committee and People's Government on 9 March on Further Streamlining Administration and Delegating Powers and Invigorating State-Owned Industrial Enterprises"]

[Text] 1. Institute division of powers and responsibilities between government and enterprises. The government departments at all levels must practice division of powers and responsibilities between themselves and the enterprises, streamline the administration and delegate powers, delegate the powers right down to the enterprises, and really shift their own work onto the track of serving the grassroots and the enterprises, so as to properly play the role of government organs in managing the economy.

2. Straighten out and readjust industrial companies of all types. We must resolutely abolish all purely middle-man administrative companies which do not shoulder any economic responsibility and do not provide service to the enterprises. Companies which have dual functions in administrative management and enterprise operations must practice division of powers and responsibilities between government and enterprises. Their administration functions should be handed over to the departments concerned. If it is essential to retain companies, they must be run as economic organizations. Companies which are basically enterprise operational in nature should be retained. The companies should chiefly provide services for the enterprises such as in technology, information, and supply and marketing. They can charge a rational service fee in accordance with their service quality and economic results. Those that do not provide services cannot charge fees. No companies can charge the enterprises management fees or impose other charges. They must not retain enterprise decisionmaking powers for themselves.

In the future, the enterprises concerned should hold consultations and organize, according to the principle of voluntariness and mutual benefit, the establishment of industrial companies and other forms of economic combine. The enterprises can make their own decisions on joining or withdrawing from companies.

3. Reform the enterprise leadership structure and labor and personnel management system. We must speed up the institution of the plant manager and director responsibility system. All state-owned industrial enterprises whose



consolidation has been accepted as up to standard must institute the systems of responsibility, term of office, and responsibility for targets for plant managers and directors. At the same time it is necessary to perfect the system of democratic management by staff and workers. After appraising and deciding on the total wage bill, an enterprise has the right to decide on the number of staff and workers to employ? If the number is increased, the total wage bill should not be increased; and if the number is reduced, the total wage bill should not be reduced.

The enterprises can institute the system of hiring technical and management personnel. The enterprises are allowed to hire and bring in technical specialists of all kinds from home and abroad. They have the right to provide favorable pay and living conditions for talented people whom they specially need.

4. Perfect the management of mandatory production plans. Provincial mandatory plans for industrial production are handed down by the provincial planning commission in a unified way. Other planning departments at various levels are not allowed to put additions on these plans or to hold back materials and products assigned under the mandatory plans. The departments handing down the mandatory plans are responsible for organizing raw materials, energy, transport, and comprehensive balance of production and marketing regarding products covered by the mandatory plans, and provide guarantees in plan assignment.

5. Organize a multichannel, open-style material circulation setup with fewer links in the chain. We should as far as possible organize direct supply and direct accounting, according to the principle of rationalizing material circulation, of bulk materials assigned to the enterprises in accordance with the mandatory production plans. Fees and charges for transfer services in storage and transport must be strictly controlled within the levels set by the state. Units that only make out invoices without providing services cannot charge management fees.

6. Speed up the reform of the distribution system in the enterprises. In accordance with the State Council's unified arrangements, large and medium enterprises whose consolidation has been accepted as up to standard should institute the system of linking the total wage bill to economic results and organizing a proportional float. We should further establish and perfect the various economic responsibility system, with the focus on the contract system, speed up the reform of the distribution system in the enterprises, and expand wage differentials, so as to fully express the idea of distribution according to work and of rewarding hard work and good quality and punishing laziness and poor quality.

7. Advanced large and medium enterprises which retain too little profit should have their regulatory tax suitably readjusted. Taking the profit level for 1984 as the base, under the premise of not raising comparable production costs under the same account headings compared with last year, we should readjust the regulatory tax on advanced large and medium enterprises where the average per capita profit retained is under 300 yuan. This should be done gradually in the course of implementing the second stage in replacing profit with tax.

8. Expand the scope of rewards for economy in the use of raw materials. Where material consumption is lower than the norm set in the state plan or is equal to average advanced levels within the same trade in the province, and scientific measurements and strict examination methods are used to show this, some money can be set aside as rewards for economy in material consumption, up to a certain proportion of the value of the economies achieved.

9. Practice a floating interest rate for enterprise credit capital.

10. change the method of distribution of depreciation funds in the enterprises. In 1985, 70 percent of the enterprises' depreciation funds should be retained and used by the enterprises. Beginning in 1986, all the depreciation funds of advanced large and medium enterprises that have a heavy task in technological transformation and face great difficulties in capital should be retained for use by these enterprises. Beginning in 1985, under the premise of ensuring tax and profit payments to the state, enterprises with good economic results whose technological transformation task is heavy and profit level low can raise their comprehensive depreciation rate on fixed assets by 1 to 3 percent.

11. Relax controls over the pricing of products by enterprises selling their own products. Under the premise of ensuring the fulfillment of the mandatory plans, the enterprises have the right to sell themselves products covered by the plan in accordance with the stipulated proportion, products that exceed the production plans, products whose output has increased as a result of organizing their own raw materials, experimental new products, products that are not procured by the departments concerned, and stockpiled products.

12. Encourage and support the enterprises in going in for diversification while concentrating on one trade, developing horizontal economic ties, and vigorously establishing tertiary industry. We should encourage and support the enterprises in using their own technology, talent, capital, equipment, products, labor services, and other strong points to go in for diversification and develop a variety of products. Enterprises are allowed to span different areas and trades and break through ownership jurisdiction in developing horizontal economic ties and organizing various types of economic combine, including tertiary industry. The actual after-tax profit of joint enterprises should be distributed according to the principle of distribution first, tax second. Joint enterprises borrowing loans from the banks can repay the loans before paying tax. Profits derived from joint and cooperative operations will be exempt from regulatory tax for 2 years. Enterprises set up through raising capital by importing from abroad or linking up with other parts of China will have their product tax and income tax reduced or waived for 3 years after going into operation. Tertiary industries set up by enterprises using surplus personnel will be dealt with in the same way as new collective enterprises.

13. Small state-owned industrial enterprises should be further opened up and invigorated. Enterprises whose fixed assets were below 3 million yuan and annual profit below 300,000 yuan at the end of 1983--in Xian City these figures can be increased to under 4 million yuan and under 400,000 yuan--can pay tax according to the new B-grade excess progressive taxation method with effect from use by the enterprises.

14. It is prohibited to impose indiscriminate charges and fees on enterprises.

## PROVINCIAL AFFAIRS

### HUNAN COMMERCIAL WORK CONFERENCE OUTLINES TASKS

HK160241 Changsha Hunan Provincial Service in Mandarin 1100 GMT 15 Mar 85

[Text] A provincial commercial work conference which concluded yesterday decided on the basic tasks for commercial work in 1985 and for a time to come. These tasks are: taking reform as the motive force, shift the focus of professional work to vigorously organizing market regulation, bring into full play the role of state-owned commerce as the main channel, and further stabilize the markets and make them more prosperous.

A new situation of liveliness, prosperity, and vigor has appeared in the province's urban and rural markets in the wake of the gradual deepening of reform of the circulation structure. However, in this excellent situation, there also exist a number of factors affecting market stability. The main ones are that there is a great deal of money in the markets and social purchasing power is high, thus putting pressure on the markets. Following the relaxation of the price policies on some commodities, a rush to buy and to storm the markets is prone to occur at any time, due to the masses' fears of price hikes. There is rather great contradiction between the commodity mix and market supply and demand.

In order to do a good job of supplying the markets in the new situation and making the markets more stable and prosperous, the conference laid down the guiding principle that state-owned commerce should vigorously engage in market regulation and fully play its role as the main channel. The conference demanded that from now on and for a time to come, state-owned commerce concentrate on the following tasks:

1. Vigorously expand sales of best-selling commodities needed by the markets, to mop up currency. It is necessary to do a good job in dovetailing production and sales according to market needs and strengthen joint industrial and commercial operations. Factories must be organized to increase output of products currently in short supply, such as domestic electrical appliances and woolen goods and fabrics, and place these on the market in large quantities.
2. State-owned commerce must do a good job in organizing contract purchases and market procurement work of agricultural and sideline products, actively get agricultural and sideline products into the cities, and promote the supply of nonstaple food for the towns, with the focus on pork and vegetables.
3. Carry out the state price policies in a model way and play the role of appraising market prices, to maintain basic price stability in the markets.

4 April 1985

## PROVINCIAL AFFAIRS

## GUANGDONG MAY ACHIEVE 'QUADRUPLICATION' GOAL BY 1995

HK181026 Guangzhou NANFANG RIBAO in Chinese 11 Mar 85 p 1

[Reprot: "Guangdong Provincial Economic Construction Enters a New Period of Development"]

[Text] An analysis by the provincial Statistical Bureau shows that it absolutely will [be] possible to attain the target of "quadruplication" ahead of schedule, provided the provincial economy can be kept developing at a rapid rate.

Last year provincial economic construction entered a new period of development. According to the latest figures compiled by the provincial Statistical Bureau, the gross output value of the province's industrial and agricultural production in 1984 for the first time exceeded the 50 billion yuan mark, an increase of 17.6 percent over 1983, thus fulfilling the targets set in the "Sixth 5-Year Plan" 1 year ahead of schedule. Thanks to the open-door policy and the principle of enlivening the domestic economy, the province's economy continued developing in good balance and in a steady way in 1984 and showed unusually favorable trends. The gross value of agricultural output increased to 16.8 billion yuan, a jump of 12.5 percent over the previous year, while the province recorded an all-time high in the output of grain, sugarcane, aquatic products, and rubber. In 1984 the province's industrial production continued developing at a rapid rate and in good proportion. Its gross output came to 36.7 billion yuan, a rise of 20 percent over the previous year. Meanwhile, there was a simultaneous increase in the volume of sales and the total amount of profits. With the development of production, market became more brisk and the people's standards of living further improved.

The analysis by the provincial Statistical Bureau points out that in accordance with the targets set by the 12th CPC National Congress for quadrupling the gross annual value of industrial and agricultural production by the end of this century, Guangdong Province should increase its gross output value of industrial and agricultural production from 34.1 billion yuan in 1980 to 136.5 billion yuan in the year 2000, rising annually by an average of 7.2 percent. From 1981 to 1984 the province's gross output value of industry and agriculture grew by an annual average of 9 percent over the next 11 years, the target of "quadruplication" can be attained in 1995, 5 years ahead of schedule. It is entirely possible for Guangdong Province to realize the plan.

Of course, we should keep sober-minded and guard against conceit and complacency. It must be noted that relations between different economic sectors in our province have not yet been put in good order, and capital for investment is not sufficient. The energy industry, transport and communications now remain the weak links in the chain of the province's economic development. For this reason we should make determined efforts to carry out reform and boldly blaze new trails so as to attain the goal of "quadruplication" at an early date.

CSO: 4006/475



PROVINCIAL AFFAIRS

QINGHAI ECONOMY STARTS CHANGE FROM CLOSED TO OPEN-STYLE

HK150355 Xining Qinghai Provincial Service in Mandarin 1100 GMT 14 Mar 85

[Text] According to QINGHAI RIBAO, guided by the principle of opening up to the world, the province's economy has started to change from closed to open-style. Since last year, the province has held an export commodity exhibition in Hong Kong and International economic and technological cooperation talks in Xian. As a result many people in economic and trading circles of various countries and regions have got to know about Qinghai. They have seen Qinghai's rich natural resources and tremendous economic development potentials.

So far 40 countries and regions including the United States, Britain, France, Canada, Italy, the FRG, Sweden, the Netherlands, Japan, Australia, and Hong Kong have launched economic and technological exchanges with Qinghai. By the end of 1984 the province had formally signed 31 contracts with foreign businessmen, worth a total of \$68.03 million. The province had attracted \$26.38 million in investment from abroad, including Hong Kong.

The province has only just started opening up to the world and using foreign investment to import technology. To speed up the work, the provincial CPC Committee and government have decided that a policy of opening up still more to the world is to be instituted. The work of using foreign investment to import technology is to be stepped up. The figure for the use of foreign investment budgeted for 1985 is to be increased to \$32 million. The province plans to use several hundred million dollars in foreign investment during the Seventh 5-Year Plan.

At present, the province is formulating favored treatment to encourage foreign businessmen to come and invest in Qinghai, so as to attract still more foreign investment. It is also preparing to open up windows to the world in Hong Kong and some coastal and key cities, to strengthen external ties and exchange information.

CSO: 4006/475

4 April 1985

## PROVINCIAL AFFAIRS

## SHAANXI ECONOMIC WORK CONFERENCE CONCLUDES 15 MAR

HK160247 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 15 Mar 85

[Text] The provincial economic work conference concluded on 15 March after 10 days in session. The conference looked into a series of policies and measures for invigorating the enterprises, analyzed the situation in industry and communications in the province, and made arrangements for this year's tasks.

The conference pointed out: the province scored good achievements in economic work last year. Production rose steadily, technological transformation speeded up, new breakthroughs were made in enterprise consolidation and in reform of the economic structure, and a new situation was created in importing from abroad and linking up with other areas of China.

The meeting also pointed out: We must unswervingly promote reform of the economic structure and also resolutely correct unhealthy practices. We must stick to principles, seek truth from facts, make specific analysis of specific things, and correct whatever malpractices exist. The important thing at present is to bring our pace of reform into line with the arrangements and plans of the CPC Central committee and State Council. This year we must act in the spirit of fighting the first battle with caution and ensuring victory in taking the first step in all-round reform.

The conference stressed: Industry and communications enterprises, especially large and medium industrial enterprises, must make important contributions to consolidating and developing the excellent situation.

CSO: 4006/475

PROVINCIAL AFFAIRS

NEI MONGGOL REGIONAL ECONOMIC WORK SESSION ENDS

SK130448 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 12 Mar 85

[Text] The regional economic work conference, which focused on discussion of further achieving the urban economic restructuring and enlivening the enterprises, concluded on 12 March.

Attending the conference were responsible comrades of the regional CPC Committee and the regional government, including Zhou Hui, Bu He, Tian Congming, Zhou Rongchang, Ma Zhenduo, and Liu Zuohui. At the conference, Comrade Ma Zhenduo read the regional People's Government's decision on commending and awarding the leagues, cities, and enterprises that scored good economic results in 1984. Five leagues and cities were commended. Of them, Xingan League, Baotou City and Hohhot City won Gold Cattle prizes and Jirem League and Wuhai City won Silver Cattle prizes. The enterprises that were commended included the Baotou Iron and Steel Company, the Baotou Sugar Refinery, the Baotou Aluminum Plant, the (Wulashan) Chemical Fertilizer Plant, the Hailar Department Store, the (Chifeng Wulanhada) market, the Chifeng local product station, and the (Longshengzhuang) grain station in Fengzhen County.

Bu He, chairman of the regional People's Government, and Liu Zuohui, vice chairman of the regional People's Government, respectively delivered speeches at the conference.

In his speech, Comrade Bu He stressed that we should fully understand the current excellent situation, persistently achieve reforms, resolutely stop unhealthy practices, draw distinctions in accordance with policies, seek truth from facts, resolve problems, and simultaneously promote the urban economic restructure.

Comrade Bu He urged all enterprises to raise their economic results, to raise the management level, to improve the quality of products and the designs and colors of products, and to make new breakthroughs in production.

In line with the region's actual conditions, Comrade Zhou Hui delivered a speech on developing township- and town-run enterprises and achieving the reform of the economic structure in small towns.

CSO: 4006/475

PROVINCIAL AFFAIRS

NEI MONGGOL'S DECISION ON ENLIVENING ECONOMY

SK130647 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 12 Mar 85

[Text] According to the information from our station reporter at the regional economic work conference that ended on 12 March: This year, the region will adopt major measures for the economic structure reform in order to make breakthroughs in the region's economic work.

The region decided to vitalize the enterprises as a key link in this year's economic restructure and attend to it and to map out measures for enterprises, respectively, for enlivening their economy in line with their actual conditions.

The specific contents of the decision are: Large and medium-sized enterprises should accelerate the implementation of the director responsibility system. The enterprises should be given the reins to dominantly engage in the production in a field and simultaneously carry out a diversified economy and to develop lateral cooperations. The regulatory business taxation of advanced large and medium-sized enterprises and key enterprises will be readjusted. The practice of whipping hard-working cattle prevailing in the past should be changed. The enterprises are allowed to directly market their above-quota products and the means of production in full and excessive supply and to enliven the circulation of goods supply. The enterprises should carry out the system of fixing the wages in line with economic results they have scored. Small enterprises should gradually achieve the work of changing their ownership, taking on lease, and converting production. Small enterprises can be changed into ones owned by the state and managed by the collectives and simultaneously should pay taxes in line with regulations and assume sole responsibility for their profits and losses. Small enterprises can be rent out to the collectives and the individuals for management. Small enterprises also can fix prices for their fixed assets and transfer the management of the fixed assets and their floating funds to the collectives and the individuals.

The region also decided to reform the management measures for technological progress to accelerate the pace of technology import. The general guidelines of this reform is to delegate powers to lower levels and to simplify the procedures. Leagues and cities have the right to decide the projects for technological transformation below 100 yuan. On the premise of solving the problems in the supply of raw materials and energy resources and under the guidance of the trade program, the enterprises may use their own funds to arrange the projects for technological transformation below 300 yuan. The region also decided to classify economic results. The main contents of the assessment include the speed of accomplishing the investments and newly added production value, taxes, and profits.

PROVINCIAL AFFAIRS

HEILONGJIANG SETS FORTH 1985 ECONOMIC TARGETS

SK160216 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 15 Mar 85

[Text] The 1985 target imposed on the industrial and communications enterprises throughout the province is to score a more than 10-percent increase over the 1984 figure in total output value. Enterprises that have earned profits should score a more than 15-percent increase over the 1984 figure in profit volume, and those that have suffered losses should score a 50-percent decrease over the 1984 figure in deficit volume. Efforts should be made to do away with the losses caused by poor management, to continuously maintain the existing speed of progress, and to create a good tendency in which both tax-profits and financial revenues score an increase simultaneously.

At today's provincial economic work meeting, An Zhendong, vice governor of the province, stated: In 1985, the industrial and communications enterprises that have the appropriate conditions, particularly large-and-medium-sized ones, should enforce the system of having the plant's chief in charge and improve their responsibility systems in the economy. To invigorate enterprises, it is imperative to steadily pioneer new production fields and new managerial affairs so as to ensure that the key product remains the main business, while engaging in diversified transactions. Special attention should be paid to developing tertiary industry. In organizing production, efforts should be made to actively adopt the measures of increasing output, tapping latent power, and practicing economy so as to relieve by every possible means the strained situation in energy resources, transportation, and raw materials and ensure the fulfillment of the state plan for 1985. Efforts should be made to vigorously increase the output of daily necessities and to step up building the basic facilities of electric power, coal industry, transportation, and postal and telecommunications so as to fulfill the target of switching losses to profits.

CSO: 4006/475



4 April 1985

## PROVINCIAL AFFAIRS

## BRIEFS

SHAANXI ECONOMIC WORK CONFERENCE--A provincial economic work meeting convened by the provincial government opened in Xian on 6 March. The chief tasks of the meeting are to convey the spirit of the national economic work conference, study how to invigorate the enterprises, especially large and medium enterprises, put this year's production tasks on a sound basis, correct new unhealthy practices, exchange experiences, and commend units which scored outstanding achievements in grasping production, economic results, and consolidation in 1984. [Text] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 6 Mar 85]

JIANGSU INSCRIPTIONS--With the approval of the Jiangsu Provincial People's Government and the Ministry of Foreign Economic Relations and Trade, the China Nantong Economic Association and Development Corporation was formally inaugurated today. The company started business this afternoon. Zhang Jingfu, state councillor; Gu Xiulian, governor of Jiangsu; and He Zhihua, vice minister of light industry, wrote inscriptions for the company's inauguration. The company was established with stocks from the China International Trust and Investment Corporation, Jiangsu Provincial International Trust and Investment Corporation and (Xianghai) Economic Development Corporation. It is a company for the export of technologies and equipment, using foreign capital. [Excerpt] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 6 Mar 85]

FUJIAN GVIAO RECORDS RAPID GROWTH--The growth rate of Fujian's gross industrial and agricultural output value has jumped to the forefront in the nation this year. It is estimated that by the end of the year the quotas set by the Sixth 5-year Plan will be fulfilled ahead of schedule. According to the figures, the provincial gross industrial output value from January through October was over 9.21 billion yuan, which is a completion of 90.3 percent of the year's plan, an increase of 18.4 percent over the same period last year, and 5.7 percent higher than the national average growth rate, ranking it second in growth rate in the nation. Industrial and economic results have realized "double-digit growth and the three in-step increases;" that is, the output value, sales revenue and state profits tax within the budget of industrial enterprises increased by 14.4, 12.3 and 12.7 percent respectively over last year. [Text] [Beijing BEIJING RIBAO in Chinese 4 Dec 84 p 4] 9586

HEILONGJIANG LINEN MILL--Harbin, 14 March (XINHUA)--A 5,000-spindle linen mill just completed here has increased the total number of spindles in Heilongjiang Province to 35,000-21,000 more than in 1982. The province, China's leading flax producer, last year exported 17,300,000 meters of linen cloth, 1,605 tons of linen yarn and 33 tons of flax fiber, worth more than 70 million yuan. Heilongjiang is able to mass-produce linen cloth, linen-cotton and woolen-linen fabrics, in addition to linen canvas, linen hose cloth and linen cloth for drawnwork. Local officials say that by the end of the decade, the province will have doubled the present number of spindles. [Text] [Beijing XINHUA in English 1428 GMT 14 Mar 85 OW]

TIANJIN CITY FACELIFT--Beginning 28 February, Tianjin Municipality has begun rebuilding and repairing the 40 old streets with a total length of 52 kilometers. More than 2,100 buildings of various styles on these streets will be repaired and more than 5,800 ordinary houses will be improved. More than 2,300 illegally-built houses will be removed from these streets. [Summary] [Tianjin City Service in Mandarin 0030 GMT 1 Mar 85 SK]

CSO: 4006/448

## ECONOMIC DEVELOPMENT ZONES

### GUANGZHOU CPC MEETING DISCUSSES ECONOMIC DEVELOPMENT ZONE

HK081152 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 8 Mar 85

[Text] Yesterday, the Guangzhou City CPC Committee held an enlarged meeting of its Standing Committee in the economic and technological development zone. The meeting held that the progress in building the development zone is satisfactory. The meeting put forward five measures to speed up the building of the development zone.

Since the foundation of the Guangzhou Economic and Technological Development Zone was laid in December last year, all projects have been initiated. The foundation work, which is half of the first phase of the (Gangqian) industrial district project, has been completed. The design of the foundation facilities has been completed and preparations for inviting bids are being made. The projects of communications, electricity supply, and roads are being stepped up. Moreover, work of establishing contacts and advertising for qualified personnel is being vigorously unfolded.

The enlarged meeting of the Guangzhou City CPC Committee Standing Committee formulated five measures to speed up the building of the development zone. The contents of these measures include:

The guiding ideology must be further emancipated, a freer hand must be given to workers, and bigger step forward must be made. Under the premise of unified planning, unified examination, and approval of items, as well as unified policies, laws, orders, and management, the items of the first phase of the (Gangqian) industrial district project in the development zone must be done in the form of contracts. The zone must send people out to hold talks on these items and to actively take part in the investment promotion meetings held by the province and the city. The zone must set up offices in other places, must publish the development zone's laws and regulations and its plan for importing items. The zone must absorb foreign capital. The zone must send people to open cities along the coasts to study and conduct investigations and to establish contacts. Beginning in May, the work personnel on the first line must stay in the development zone to direct work there and to work on the worksites. The zone must set up a think tank and must prepare to set up an economic and technological advisory group, a development zone study institute, and a development zone construction promotion association.

4 April 1985

## AGGREGATE ECONOMIC DATA

## WUHAN RELEASES 1984 SOCIAL, ECONOMIC STATISTICS

HK110745 Wuhan CHANGJIANG RIBAO in Chinese 11 Feb 85 p 2

["Communique by the Wuhan City Statistical Bureau on Wuhan's National Economic and Social Development in 1984 (9 February, 1985)"]

[Text] The year 1984 was the first year in which the pilot project on the comprehensive reform of the city's economic structure, which was decided on by the CPC Central Committee and the State Council, was executed. Over the past year, under the leadership of the city CPC Committee and the city people's government, the people of the whole city have earnestly implemented the principle of opening the country to the world and revitalizing the domestic economy and executed the "Plan for Carrying Out the Comprehensive Reform of Wuhan City's Economic Structure." As a result of the impetus given by the reform, an excellent situation, rarely seen in the past, emerged in the economy. An open economic network rooted in Wuhan and backed by Hubei and catering to the needs of central China and spreading to every corner of the country is now taking shape. Production and construction comprehensively developed, the urban and rural markets thrived, the financial situation was excellent, people's livelihood continued to improve, and new progress was made in the building of a spiritual civilization.

Social production developed at a rather rapid pace. According to a preliminary statistical survey, in 1984, the city's gross social product (Footnote 1) (Gross social product is the sum of the gross output value of agriculture, industry, building construction industry, transportation, posts and telecommunications, and commerce, including the marketing and supply of goods and materials and catering industry) was 18 billion yuan (calculated according to the fixed prices in 1980), an increase of 11.0 percent over the previous year; of this, 15.363 billion yuan was its gross industrial and agricultural output value, which was 12.8 percent greater than that in the previous year; the national income (Footnote 2) (the national income is the sum of the net output value created by the five branches of material production mentioned in Footnote) was 6.534 billion yuan, an increase of 10.8 percent over the previous year.

## Industry

Industrial production maintained its rather high growth rate. In 1984 the city's gross industrial output value (calculated according to the fixed prices

in 1980, the same below) was 14.239 billion yuan (including that created by the enterprises run by villages, brigades, and even smaller units), an increase of 11.7 percent over the previous year. Of the gross industrial output value created, 6.701 billion yuan was the light industrial output value, which was 7.4 percent higher than that in the previous year, and 7.538 billion yuan was the heavy industrial output value, which was 15.8 percent higher than that in the previous year. The output value created by the industrial enterprises owned by the whole people was 9.5 percent higher than that in the previous year and that created by the collectively owned industrial enterprises was 20.5 percent higher than that in the previous year. The output of most of those industrial products which are of vital importance to the national economy and people's livelihood increased. The output of 67 out of 100 major industrial products was greater than that in the previous year. The output of the high-quality products and famous brands of products produced by the light and textile industrial enterprises increased enormously. Heavy industrial products were produced according to demand and yet its output steadily increased. Output of the major industrial products follows:

	1984	Percentage increase over 1983
Pig iron	3,446,900 tons	4.8
Steel	3,652,400 tons	11.3
Rolled Steel	3,179,100 tons	14.8
Crude oil refined	1,516,900 tons	1.0
Electricity	2.671 billion kwh	5.0
Cement	812,700 tons	2.2
Caustic soda	43,300 tons	-2.3
Chemical fertilizer	59,600 tons	6.4
Motor vehicles	6,323	20.3
Cotton yarn	88,600 tons	-12.7
Cotton cloth	373,000,000 meters	-18.7
Wollen cloth	1,890,000 meters	34.0
Silk textiles	12,040,000 meters	43.3
Machine-made paper and paper boards	117,400 tons	8.5
Bicycles	308,400	-22.2
Watches	656,70082	-6.6
Television sets	91,799	42.1
Radio recorders	244,200	6.5
Household washing machines	220,600	43.3

The industrial economic results improved remarkably. The reform of the economic structure, enterprise consolidation, and technical transformation added to the vitality of the enterprises and various economic and technological targets were quite satisfactorily fulfilled. In 1984, the profits made by the budgeted industrial enterprises subordinated to the city and owned by the whole people were 371 million yuan, an increase of 13.4 percent over the previous year. The per capita labor productivity of the industrial enterprises owned by the whole people was 17,064 yuan, an increase of 10.3 percent over the previous year. According to the statistics concerning the city's 69 major energy



consumers, the amount of energy consumed in the creation of each 10,000 yuan of industrial output value was equivalent to 7.98 tons (of standard coal), 4.6 percent less than that in the previous year. The city received 1 gold medal and 12 silver medals from the state, 62 products won prizes given by various ministries for their high quality, and 146 products won prizes given by the province also for their high quality. The quality of the major industrial products steadily improved at a rate of 68 percent.

The restructuring of industry yielded some preliminary results. First, the leadership system of the enterprises was reformed. The system of the director (or manager) assuming full responsibility was applied in 41 industrial and communications enterprises on a trial basis and 45 central and provincial enterprises, including the Wuhan Iron and Steel Works, were put under the administration of Wuhan City. Second, the industrial enterprises generally applied various systems of contracted responsibilities thus initially reforming the distribution, personnel and cadre systems, putting an end to the practice of "eating from the same big pot," and arousing the enthusiasm of various parties. Third, cooperation and coordination were organized with some key enterprises playing a leading role. Consequently, economic and technological cooperation between various parts of the province developed. Fourth, various types of economic combines were formed and the city departments concerned formed 80 economic combines of various types with units in Hubei and other parts of the country. In purchasing things from outside Wuhan and in cooperating with people from other parts of the country or other parts of the world, tenders were openly invited and only the best terms were accepted and, in the course of preliminary screening, the tenders submitted by more than 1,100 enterprises from 27 provinces, cities, autonomous regions, and cities directly under the central government were accepted. They added to the vitality of the enterprises and helped production to develop and economic results to improve.

The major problems in industrial production were: There was quite a serious shortage of pig iron, rolled iron, and some chemo-industrial materials; the production of light industrial products and textile products failed to keep pace with the changes in demand; the economic results of some enterprises were quite poor; and, in developing new industries and new technologies, were still restricted by the shortage of funds and inadequate technological strength.

#### Transportation, Posts, and Telecommunications

The volume of goods transported and passenger traffic increased significantly. In 1984, the Wuhan Railroad Bureau registered a total of 21.95 million passengers, up 6.7 percent from the previous year, and the total volume of railway freight was 22.44 million tons, an increase of 2.3 percent over the previous year; the number of passengers using the Wuhan Airport under the provincial Civil Aviation Bureau was 73.1 percent greater than that in the previous year and volume of air freight was 8.3 percent greater; the volume of waterway cargo was 27.19 million tons, an increase of 8.1 percent over the previous year; the volume of goods handled by the departments in charge of transportation and the highways was 453 million tons-kilometers, an increase of 3.9 percent over the previous year, and the number of road passengers was 24.45 million, up 16.4 percent.

Posts and telecommunications developed at a rather rapid pace. In 1984, the total volume of the business of the posts and telecommunications services was 26.15 million yuan, an increase of 15.5 percent over the previous year. The number of letters increased by 34.9 percent, the number of newspapers and periodicals published increased by 6.8 percent, and the number of long-distance calls increased by 14.1 percent.

A rather good start was made in the structural reform of transportation and communications. The departments in charge of transportation, posts, and telecommunications enthusiastically explored ways of carrying out reforms and Wuhan Port opened itself and its wharves to the public on its own initiative. In 1984, the volume of freight handled by the port increased by 5.7 percent, its per capita labor productivity was the highest in its history, and its profits were 47.5 percent larger than those in the previous year. Many people started their business in waterway transport, road transport, and civil aviation. Consequently, transportation business was run through many channels, on many levels, and by many means. With the encouragement given by the departments concerned, transportation firms jointly run by the whole people and collectives, by the army and the people, and by several regions were established. Operation licenses were issued to 2,870 units, 2.5 times more than in the previous year. This played an important role in facilitating the communications between the urban and rural areas.

The present development of transportation, posts, and telecommunications still cannot meet the demand imposed by the development of the national economy, in particular, there are not enough facilities for transporting passengers and not enough telephone sets and lines. Traffic administration must also be further improved.

#### Agriculture

The rural economy developed in both breadth and depth. In 1984, the rural reforms developed in a comprehensive and in-depth manner, the system of agricultural responsibilities was steadily consolidated and perfected, agrotechnologies were extensively applied, bumper harvests were reaped, and the output of agricultural, forestry, animal husbandry, sideline, and fishery products increased. The gross agricultural output value was 1.124 billion yuan (excluding the industrial output value created by the industrial enterprises run by the villages, brigades, and even smaller units, which was 484 million yuan), an increase of 28.5 percent over the previous year. Of the gross agricultural output value created, 862 million yuan was the output value of agricultural production (the growing of crops), which was 29.3 percent more than that in the previous year; 12 million yuan was the output value of forestry, which 3.0 percent more than that in the previous year; 168 million yuan was the output value of animal husbandry, which was 20.0 percent more than that in the previous year; 27 million yuan was the output value of sideline production, which 78.0 percent more than that in the previous year; and 55 million yuan was the output value of fishery, which was 32.9 percent more than that in the previous year. Within agriculture, the setup of the growing of crops was further readjusted. Less land was devoted to the growing of grain but more land was devoted to the growing of industrial crops. The output of most of the major

agricultural and sideline products exceeded that in the previous year. The output of grain and cotton was the largest in history and we reaped a bumper harvest of oil-bearing crops. Output of major agricultural and sideline products follows:

	<u>1984</u>	<u>Percentage Increase over 1983</u>
Grain	3.317 billion jin	19.1
Cotton	1,046,000 dan	58.8
Oil-bearing crops	840,800 dan	40.8
Vegetables (excluding those produced in the four counties)	1.075 billion jin	18.9
Hogs slaughtered	737,400 head	15.6
Milk	53,120,000 jin	10.5
Fish	82,830,000 jin	39.1
Fruits	250,800 dan	2.8

Conditions for agricultural production steadily improved. By stipulating that the system of contracted responsibilities for land will remain unchanged in the next 15 years, the central authorities have aroused the peasants' enthusiasm for production. More and more peasants are buying large and medium-size facilities for agricultural production. By the end of 1984, the suburban counties had agricultural machinery with a total thrust of 1.29 million horsepower, 0.3 percent less than that in the previous year; 3,400 large or medium-sized tractors, an increase of 11.3 percent over the previous year; 17,432 small or walking tractors, an increase of 11.5 percent over the previous year; and pumping or draining machinery with a total thrust of 426,300 horsepower, 4.0 percent less than that in the previous year. In 1984, the total amount of chemical fertilizer applied (the actual amount applied [word indistinct] degrees of purity) was 73,700 tons, an increase of 15.7 percent over the previous year, and the amount of electricity consumed in the rural areas was 211 million kilowatt-hours, 10.2 percent less than that in the previous year. The number of complete sets of irrigation facilities increased and they were further perfected. Thus, the peasants were in a better position to combat drought and floods.

Households doing specialized jobs and economic combines emerged in great numbers. According to the statistics compiled by the departments concerned, in the suburban counties, the number of households specialized in commodity production or serving agricultural production was 191,000 or 29 percent of the total number of peasant households. The kinds of operations increased, the scale of operations expanded, and the number of contacts for reclamation, development, and exploitation increased. Independent operation on a household basis is now being gradually replaced by joint operations.

The township and town enterprises developed rather rapidly. In 1984, the gross output value created by the township and town enterprises was 1.048 billion yuan, an increase of 41.6 percent over the previous year and these enterprises became an important pillar of the rural economy.

At present, in the suburban counties, the development of agricultural production is still unbalanced. While the growing of grain, cotton, and other crops develops rather rapidly, animal husbandry and fishery continue to be the two weak links. The commodity rate of farm and sideline products remains low and the township and town enterprises developed at a slower pace than those in the advanced cities.

#### Investment in Fixed Assets and Building Construction Industry

Investment in fixed assets increased. In 1984, the total amount of investment in fixed assets by the units owned by the whole people was 1.404 billion yuan, an increase of 30.7 percent over the previous year. The increase was mainly a result of the vast amount of investment in technical transformation and renewal of equipment, which was 47.6 percent more than that in the previous year. In 1984, fixed assets worth 1.178 billion yuan went into operation, in other words, 83.9 percent of the assets went into operation. Of the total amount of investment in fixed assets by the units owned by the whole people, 724 million yuan was the investment in productive construction projects, which was 49.3 percent more than that in the previous year, and 680 million yuan was the investment in non-productive construction projects, which was 15.4 percent more than that in the previous year. The amount of investment in capital construction was 763 million yuan, an increase of 13.5 percent over the previous year. The investment in fixed assets helped add the following major capacities and facilities: an annual output of 100,000 television sets, transformer stations with a total transforming capacity of 1.515 million kilovolt-amperes, an annual output of 6,000 tons of seamless steel tube, an annual output of 3,200 tons of synthetic ammonia, an annual output of 14,600 tons of dairy products, 140,000 meters of buildings for commercial undertaking, catering industry, and various services, 23,413 places in the schools including 7,934 places in the colleges and 5,040 places in the special or technical secondary schools, and 5,500 telephone switchboards, including 4,500 for handling calls within the city.

Urban construction yielded remarkable results. The following projects yielded beneficial results after their completion: The Jichanghe flood diversion project, the pumping station of the Qingshan shipyard, and the sewage systems under Wuchang's Neihuan North Road, Xiaxinhe, Yueliangwan, and Xujiapeng, and Hanyang's Yingwu Main Road. The broadening of Wuchang's Beihuan Road, Lizi Road, and Zhongshan Road and the construction of Hanyang's Cuishan North Road and Shisaeng Road and Hankou's Jingnan Road, Jianshe Main Road (the section stretching from Hangkong Road to Jianshe Main Road) were completed and the roads were put into use. The Wuchang coking plant built a coalgas container with a storage capacity of 30,000 cubic meters, a major medium-pressure coalgas pipeline with a length of 5 kilometers, a low-pressure pipeline with a length of 4 kilometers, and four pressure-regulation stations and began supplying coalgas to some districts in Baishazhou. Thus, the citizens of Wuhan had coalgas to use for the first time. The urban areas had 100 new buses and 1 new ship and increased the number of bus routes by 12. The city planted 350,000 trees, built 67 flower beds and green zones in the streets with a total area of 19,334 square meters and 2 small gardens with a total area of 2,500 square meters, drained 102 "dirty ditches," dealt with 52 industrial enterprises which affected the surrounding people closed down, merged, or suspended the operation of 41 units which caused pollution or switched them over to other lines of production, and tore down 2,760 illegal buildings near the schools.



building construction industry developed rather rapidly. In 1984, the output value created by the building construction enterprises owned by the whole people was 798 million yuan, an increase of 23.0 percent over the previous year. Reckoned according to output value, the per capita labor productivity of the building construction enterprises owned by the whole people was 5,903 yuan, an increase of 20.4 percent over the previous year and 69.5 percent of their work was considered to be of high quality.

The structural reform of the administration of capital construction and the structural reform of the building construction industry were quite smoothly carried out. First, in the administration of capital construction, the system of contracted responsibilities for investment was extensively applied; second, in the building construction industry, the system of fixing the amount of wages for every 100 yuan's worth of finished work and other contract systems were applied; third, the system of inviting tenders was popularized, the city invited tenders for constructing 147 projects at negotiated prices, and the prices tendered were on the average 9 percent lower than those expected by the units in charge of the construction projects.

#### Commerce and Foreign Trade

There was an abundant supply of commodities. In 1984, the total value of commodities purchased by the city's state-owned commercial enterprises reached 4.498 billion yuan, topping the previous year by 6.9 percent. This included 550 million yuan of agricultural and sideline products, up 24.2 percent over the previous year.

People's purchasing power improved. In 1984, the total value of the retail sales of social commodities was 3.829 billion yuan, a 20.5 percent increase over the previous year. Out of the total volume of retail sales for social commodities, the total volume of retail sales for consumer goods went up by 22.2 percent and the total volume of retail sales for the majority of major consumer goods went up in varying degrees. The volume of the retail sales for expensive and durable consumer goods went up most significantly.

The volume of retail sales for various economic types of commodities also went up. In 1984, of the total value of the retail sales of social commodities, 2.114 billion yuan was the value of the retail sales by the enterprises owned by the whole people, which was 13.3 percent higher than that in the previous year; 448 million yuan was the value of the retail sales by the supply and marketing cooperatives, which was 5.9 percent higher than that in the previous year; 919 million yuan was the value of the retail sales by other collectively owned enterprises, which was 37.4 percent higher than that in the previous year; and 149 million yuan was the value of the retail sales by individual commercial enterprises, which was 88.6 percent higher than that in the previous year. The volume of retail sales by the enterprises owned by the whole people went down from 61.4 percent of the total volume of the retail sales of social commodities in the previous year to 58.3 percent, that by the supply and marketing cooperatives went down from 14.0 percent in the previous year to 12.3 percent, that by other collectively owned enterprises rose from 22 percent in the previous year to 25.3 percent, and that by individual enterprises rose from 2.4 percent in the previous year to 4.1 percent.



Urban and rural fair trade flourished. In 1984, the total value of the transactions in urban and rural fair trade was 238 million yuan, an increase of 30.7 percent over the previous year. The total volume of the transactions in meat, poultry, eggs, aquatic products, vegetables, fresh fruits, dried fruits, and other commodities rose by 40.3 percent.

New breakthroughs were made in the reform of the commercial system. First, trade centers were established. The city has established 90 trade centers of various types, 193 trade firms and storehouses, some agricultural and sideline product wholesale markets, and some industrial goods and small commodities markets. The establishment of these trade centers, firms and storehouses has freed us from the restrictions imposed by the system under which commodities are distributed according to the division of regions, the division of industries, and the division of levels within the wholesale system. Commerce is now open to all and distribution is more diversified. Second, the system governing the production and marketing of vegetables was reformed, state monopoly for purchase and marketing was replaced by multi-channel operations, planned marketing by market regulation, and planned prices by floating prices. In this way, production was linked to marketing, people could do business face-to-face with one another, the vegetables markets were revitalized, varieties increased, and quality improved. Both producers and consumers were happy with all this. Third, an Autumn Trade Fair was organized. More than 12,000 businessmen from all over the country gathered in Wuhan and transactions valued at 284 million yuan were done. Of this, 190 million yuan was the value of the local products sold. Fourth, eight streets were devoted to commercial purposes. Fifth, the city's first and second commercial bureaus, grain bureau, and finance office were abolished and the city formed its commercial committee in order to separate government from enterprise functions and to create favorable conditions for the further revitalization of commodity circulation.

Prices tended to go up. As a result of the decentralization of the administration of the prices of some agricultural and sideline products, more and more agricultural and sideline products were purchased and sold at negotiated prices and the listed retail prices of pork and bean products went up. In 1984, the retail price index went up 4.0 percent over the previous year.

The volume of the sales of the major means of production increased. In 1984, the volume of the sales of rolled steel was 2.84 million tons, an increase of 12.8 percent over the previous year; that of timber (sawn timber) was 181,600 cubic meters, an increase of 0.7 percent over the previous year; and that of cement was 786,000 tons, an increase of 1.5 percent over the previous year. A goods and materials coordinative network for the supply of means of production began to take shape.

The yearly plan for purchasing foreign trade products was overfulfilled. In 1984, the city purchased 257 million yuan's worth of foreign trade products, thus overfulfilling the yearly plan by 31.8 percent. However, the figure was 25.3 percent smaller than that in the previous year. After the reform of the foreign trade system, in October 1984, our city for the first time sent an independent foreign trade delegation to take part in the Guangzhou Trade Fair. At the trade fair, transactions valued at \$14.7 million were made.

New progress was made in the utilization of foreign capital and the import of technologies. In 1984, the utilization of foreign capital and our economic and technological cooperation with foreigners became more extensive than before. Contracts for four projects jointly financed by China and foreigners were signed and are now being put into effect. The amount of foreign capital utilized, including the \$1.275 million invested by foreigners in the above four projects and that in eight other projects, such as the Changjiang brewery, the Changjiang hotel, and a concentrated beverages plant, now totals \$82.50 million. The contracts for these eight projects have been either signed or initialed. All this had laid a solid basis for the further utilization of foreign capital. In importing technologies from abroad, 109 transactions valued at \$47.63 million were made in 1984. Last year, the amount of foreign exchange used was \$26.68 million, an increase of about 100 percent over the previous year.

### Finance

Revenue exceeded that in the previous year. In 1984, in order to be in step with the city's comprehensive reform of its economic structure, the city's finance and taxation departments adopted a series of measures to reform financial work and taxation and, on the basis of the first step in substituting taxes for the delivery of profits, took the second step in substituting taxes for the delivery of profits. In addition they also paid close attention to consolidating the finance of the enterprises, making up deficits, and increasing surpluses, strengthened the administration of revenue and expenditure, vigorously kept the budget balanced, and rather satisfactorily fulfilled various financial tasks. Last year, the total amount of revenue was 1.452 billion yuan, 7.6 percent, or 102 million yuan, more than that in the previous year. State treasury bonds valued at 47.89 million yuan, 6.08 percent more than the prescribed amount, were sold. Thus the task of the issuance of state-treasury bonds was fulfilled. The total amount of funds pooled for building the key construction projects in the areas of energy resources, and communications was 52.28 million yuan, 11.1 percent more than the prescribed amount. With the steady increase in revenue, expenditure also increased. It was basically guaranteed that there were enough funds for the development of various undertakings. The budget was put into effect with the result that revenue and expenditure were balanced with a small amount of surplus.

Last year, the sum of the industrial and commercial taxes collected, the funds for energy resources and communications raised by the taxation departments, and the income tax collected from the state-owned enterprises was 2.899 billion yuan, an increase of 9.6 percent over the previous year.

The amount of currency withdrawn from circulation increased. In 1984, the banks received 5.034 billion yuan of cash and their total amount of cash payments was 4.714 billion yuan. The amount of currency withdrawn from circulation was 320 million yuan, which was slightly larger than that in the previous year.

### Science, Education, Culture, Public Health, and Sports

Science and technology made new advances. According to a preliminary statistical survey, in 1984, 713 scientific achievements were made. These achievements

had to do mainly with the city's key industries and they brought good social and economic results. The CK6140 digital control machine tool produced by Wuhan City's No 3 machine tool plant facilitated the precision and automatic processing of component parts and won the national fine new products award. With advanced techniques previously unknown to the country, the Wuhan pharmaceutical plant made some progress in the trial-production of L-tryptophan. With the two high-yield, pest-resistant strains of rapeseeds supplied by the oil-bearing crops institute under the Chinese Academy of Sciences, namely, strains "820" and "821," the Huangpi County Science and Technology Committee conducted "experiments at different points and over large areas with the new strains." The per mu yield was 350 jin, 250 percent higher than the normal 100 jin per mu yield. The city's No 5 hospital researched into "anti-thymolymphocyte globulin" and was the first one in the country to apply it with success in curing acute "aplastic anemia." Of the 17 patients treated, 7 or 41 percent, reacted positively to the curative effect of the drug and they are still alive. One of them has been alive for more than 5 years. This has filled a gap in the country's research work.

Many aspects of the system governing scientific and technological work were reformed. First, 11 interdisciplinary or specialized science and technology trade fairs were organized and more than 1,100 contracts for the application of more than 2,700 scientific and technological achievements were signed. Second, 38 scientific research-production combines concerned with key products and newly developed industries were established. Third, scientific and technological achievements were used to provide paid services and these achievements were converted into commodities. Thus, more and more scientific and technological achievements were applied. And fourth, markets for scientific and technological achievements came into existence.

Consultant service developed rather rapidly. In 1984, the enterprises, institutions, scientific research units, design units, colleges, universities, and government organs established a total of 307 consultant organs.

Education made advances in the course of the reforms. In 1984, the number of new students enrolled in the institutions of higher learning was 23,500, an increase of 34.3 percent over the previous year, and the total number of students enrolled was 70,200, an increase of 22.9 percent over the previous year. The number of new students enrolled by the television universities was 1,966. The number of students currently enrolled in the special or technical secondary schools was 19,500, an increase of 12.5 percent over the previous year. Because of the extension of the duration of primary education from 5 years to 6 years, the number of students entering secondary schools last year decreased. The number of students currently enrolled in ordinary secondary schools was 368,500, 5.9 percent less than in the previous year. The number of students currently enrolled in primary schools was 652,400, an increase of 2.7 percent over the previous year. The pace of the structural reform of secondary education was quickened. The number of students currently enrolled in the vocational schools rose from 4 percent in 1981 to 28 percent of the total number of students currently enrolled in senior secondary schools. As a result of the efforts made in the previous years, the quality of instruction improved remarkably. In

1984, 5,441 graduates of the senior secondary schools, in other words, 43 percent of the candidates taking the mudriculation examination, were given places in institutions of higher education (including the television universities and the non-government-run Donghu University). The number was 28 percent greater than that in the previous year. Various types of institutions of adult education were established and efforts were made to update knowledge. Thus the workers' professional and technological competence improved.

Literature and art flourished. In 1984, the number of plays written or adapted was 40 and many of them were fine ones. The "Nine Poems," an opera revised and staged by the Wuhan Opera House, was a breakthrough on the stage and was praised by the central leading comrades. Two plays staged by the Children's Opera House, named the "Two New Students Transferred from Another School" and "Their Childhood," also received great acclaim. The actors and actresses from the Wuhan Opera House won a first-class award in the Hubei section of the First Nationwide Young Singers' Television Contest. A new situation was created in mass cultural work in the course of the reforms. Multi-function cultural centers at four levels began to combine to form a network. The masses' cultural life was enriched by this.

New progress was made in public health affairs. By the end of 1984, the city's hospitals had a total of 22,340 sickbeds, 121 more than in the previous year, and the number of professional and technical public health workers reached 45,800, an increase of 1.5 percent over the previous year. Most hospitals applied the system of hospital heads assuming full responsibility and outpatient service improved technologically. The city had 54 major hospitals with subsidiary clinics and they cooperated in technological matters. The number of individuals practicing medicine totaled over 300. There were more than 5,000 household sickbeds and the masses found it less difficult to consult doctors or to be hospitalized when they were sick.

Physical culture vigorously developed. In 1984, the performance of the city's athletes in many sports events steadily improved. At the 23d Olympiad, one of our athletes won the gold medal in the women's high platform diving. At the national martial arts pageant held in the city, three representatives of the city were given awards for their excellent performance. Mass sports activities were extensive.

New achievements were made in the building of socialist spiritual civilization by the press, publications, radio and television.

#### People's Livelihood

The income of the urban and rural populations increased. In 1984, the average annual per capita income of the workers of the enterprises owned by the whole people was 1,023 yuan, an increase of 22.1 percent over the previous year. A sample survey of 400 urban households on their income and expenses showed an average monthly per capita real income of 50.18 yuan which can be used for living expenses, an increase of 15.8 percent over the previous year. Deducting the rise in prices, real income rose by 11.2 percent. The number of households with an average monthly per capita real income of more than 60 yuan which can be used for living expenses rose from 10.0 percent in the previous year to 22 percent of the total number of households surveyed. According to a sample survey



of 294 peasant households in the suburban counties, the peasants' average annual per capita net income (including the income derived from production, their business, and other sources) was 470 yuan, 142 yuan more than that in the previous year.

The consumption patterns of the urban and rural populations changed. More and more high-quality foodstuffs were produced. People asked for finely processed staple foods and nutritious non-staple foods. Clothing became diversified. People asked for good and beautiful material and new designs. More and more famous brands of daily consumer goods were produced and there were more and more expensive and fairly expensive consumer goods on sale. A sample survey on the income and expenses of urban households show an average monthly per capita living expense of 45.87 yuan, an increase of 9.3 percent over the previous year and that each 100 households owned more expensive, durable goods than they did in the previous year. The number of television sets owned by them rose from 88.25 to 90.5, the number of electric fans from 104 to 112.75, the number of bicycles from 87.25 to 96.25, the number of watches from 278.75 to 290.25, the number of washing machines from 34.5 to 44.5, and the number of tape recorders from 23.75 to 28.75. Peasant households were also invaded by expensive and durable consumer goods.

Living conditions improved. According to a preliminary statistical survey, in 1984, the total area of residential buildings completed by the city was 1.939 million square meters. Of this 1.794 million square meters were completed by the units owned by the whole people. According to a sample survey, the per capita living space was 5.2 percent larger than that in the previous year.

The amount of savings deposits increased enormously. At the end of 1984, the total amount of savings deposits by the residents of the city and the towns exceeded 1 billion. The amount was 1.136 billion yuan, 311 million yuan more than that at the end of the previous year. The rural residents' savings deposits had a balance of 162 million yuan, 42 million yuan more than that at the end of the previous year.

#### Population

At the end of 1984, the city had a total population of 6,005,900, 61,900 more than at the end of the previous year. The urban areas (including the urban and suburban areas) had a total population of 3,337,500, 54,000 more than at the end of the previous year. The 4 counties had a total population of 2,668,400, 7,900 more than at the end of the previous year.

Rather significant achievements were made in family planning. The city's birth rate was 13.26 per thousand, 0.38 per thousand lower than that in the previous year. Mortality rate was 6.51 per thousand, 0.28 per thousand lower than that in the previous year. The natural growth rate was 7.11 per thousand, 0.09 per thousand lower than that in the previous year.



AGGREGATE ECONOMIC DATA

CHONGQING NATIONAL ECONOMIC ANNUAL REPORT

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[Report: "Communique by the Chongqing City Statistical Bureau on Chongqing's National Economic and Social Development in 1984" (18 Feb 85)]

[Text] The year 1984 was one in which Chongqing made comparatively great progress in the comprehensive reform of the economic system. Under the leadership of the city CPC Committee and government, the people of the whole city seriously carried out party rectification, further implemented the principle of invigorating the domestic economy and opening up the outside world brought into play the key role of cities in social economic activities by centering on invigorating the enterprises and circulation, and accelerated the pace of the whole reform. In implementing the city's national plan, the city fulfilled its quota of tax revenues one month ahead of schedule, its quota of gross industrial output value 27 days ahead of schedule, and the city's quota of financial revenues as stipulated by the state 15 days ahead of schedule. An excellent situation rarely seen in recent years has appeared in the city's national economy. According to initial statistics, the gross industrial and agricultural annual output value was 15.288 billion yuan, up 15.4 percent from 1983. On the basis of the development of production, commerce was thriving in both purchases and sales, the market was brisk and active, the people's living standards continued to improve and new achievements were scored in the building of spiritual civilization. At present, some problems still exist in the development of the city's national economy. They are mainly that the readjustment of the product mix is still not quite suitable to the drastic change in the social needs and needs of the market, and that the contradictions of energy resources, communication, and transportation and that between the supply and demand of some important raw materials are still conspicuous.

I. Agriculture

The rural reform of Chongqing continued to develop in 1984. Under the guidance of Central Document No 1, the system of contracted responsibilities with payment linked to output continued to consolidate and develop, specialized households characterized by commodity production developed rather quickly, and new economic combination bodies emerged in large numbers. On the basis of increases in 7 successive years, agricultural production reaped another bumper harvest, and there was an all-round growth in the output of agriculture, forestry, animal husbandry, sideline occupations, and fishery.

The gross agricultural annual output value was 3.112 billion yuan, up by 11.8 percent from 1983, after deducting gross industrial output value produced at and below village level, it was 3.304 billion yuan, up by 10.7 percent from 1983. Among the gross agricultural output value, agriculture (crop farming) was 2.171 billion yuan, up 6.3 percent from 1983; forestry was 124 million yuan, up by 30.5 percent; animal husbandry was 880 million yuan, up by 10.1 percent; sideline occupations 504 million yuan, up by 41.1 percent; fishery 33 million yuan, up by 26.9 percent. Gross grain output rose from 10.8 billion jin in 1983 to a record 11.36 billion jin in 1984, up by 5.1 percent from 1983. Diversified management developed rather quickly; with the exception of rapeseed, the output of all major economic crops grew by a comparatively large margin from 1983.

The output of major agricultural products were as follows:

	<u>1984</u>	<u>Percentage increases over 1983</u>
Grain	11.36 billion jin	5.1
of which:		
Wheat	1.1 billion jin	-8.1
Rice	4.7 billion jin	10.7
Edible oil crops	111.66 million jin	-11.4
of which:		
Peanuts	37.96 million jin	31.8
Sugarcane	469.96 million jin	3.2
Tobacco	6.41 million jin	36.7
Silkworm cocoon	4.23 million jin	1.7
Tea	14.16 million jin	7.3
Fruits	269.50 million jin	7.3
of which:		
Oranges	116.31 million jin	2.2

Pig raising in the city continued to develop, the rate of pigs slaughtered was 80.8 percent, up by 1.9 percent from 1983. The output of major livestock, poultry, and aquatic products grew by a large margin, but the number of draft animals at year-end dropped a little from 1983.

Output of major animal products and number of stock animals as follows:

	<u>1984</u>	<u>Percentage Increases over 1983</u>
Pork	475.61 million jin	9.3
Milk	49.78 million jin	4.9
Eggs	87.41 million jin	3.3
Aquatic products	48.20 million jin	27.9
Hogs at year-end	7.72 million head	4.1
Hogs slaughtered	6.24 million head	6.9
Draft animals at year-end	440,000 head	-4.5
of which:		
Water Buffalo	120,000 head	-3.1
Milk Cows	10,900 head	10.

The central authorities' stipulation that the rural areas contracted responsibility will remain unchanged for 15 years has further brought into play the initiative of the peasants in their investment in production. By the end of 1984, the agricultural mechanical power of the city has reached 1.074 million horsepower, up by 6.1 percent from 1983; the number of trucks for agricultural purpose was 3,234, up by 47.9 percent; the number of large and medium-type tractors was 1,099, an 18.2 percent decrease; the annual amount of chemical fertilizer applied was 642,000 tons, up by 2.7 percent; electricity consumed in the rural areas was 297 million kilowatts, up by 20.8 percent.

Enterprises in the city's towns and townships developed rapidly in 1984. Their number totaled 104,400, up by 110 percent from 1983, with 237,000 people from the rural surplus labor force newly assigned to various posts and total manpower of 636,500 workers, accounting for 12.3 percent of the rural labor force. The 1984 gross output value of enterprises in towns and townships was 1.632 billion yuan, with a net increase of 613 million yuan over 1983, up by 60.2 percent. Based on the rural population, the per capita output value of enterprises in towns and townships averaged 152 yuan, a net increase of 57 yuan over 1983.

## II. Industry

Pushed forward by party rectification and reform, particularly the implementation of the State Council's "Provisional Regulations on Expanding the Decision-making Power of State-run Industrial Enterprises," the city's industrial system firmly grasped the reform characterized by substituting tax for profits handed over to the state, making the economic responsibility system complete and perfect, expanding the decisionmaking power of enterprises, and reforming the wage and bonus system; strengthened enterprise consolidation, and enhanced the vitality and vigor of enterprises. As a result, production grew steadily in 1984, and industrial output value exceeded 1 billion yuan in 5 successive months. An excellent situation of the synchronous growth of economic results and production development appeared.

The 1984 gross industrial output value was 11.576 billion yuan, up by 16.7 percent from 1983, but up by 16.9 percent from 1983 if industrial output value of enterprises at and below village (brigade) level is included. In the gross industrial output value, output of light industry was 5.368 billion yuan, a 14.0 percent increase over 1983; output value of heavy industry was 6.178 billion yuan, an 18.9 percent increase over 1983; output value of collectively-owned industry was 2.192 billion yuan, a 24.2 percent increase over 1983; industrial output value of other economic categories was 59 million yuan, an 18.5 percent increase.

Of 100 categories of major industrial products, the output of 77 categories increased from 1983, with 76 categories fulfilling and overfulfilling the annual quota, which, 25 categories of products such as steel, rolled steel, pig iron and washed, selected coal fulfilled the annual quota 2 months ahead of schedule; and 15 categories of products such as ferro-alloys, charcoal, copper products, raw coal, sulphuric acid, and light bulbs fulfilled the annual quota 1 month ahead of schedule.

Output of major industrial products were as follows:

	1984		Percentage increase over 1983
Raw Coal	14.13 million tons		7.6
Electric energy production	4.864 billion kilowatts		4.7
Natural gas	2.311 billion cubic meters		7.2
Steel	1.0275 million tons		8.0
Rolled Steel	869,400 tons		15.3
Aluminum	34,500 tons		4.0
Pig iron	671,000 tons		11.6
Plastic	10,300 tons		35.5
Sulphuric acid	93,700 tons		2.2
Caustic soda	58,400 tons		10.0
Synthetic ammonia	121,000 tons		8.2
Synthetic rubber	5,776 tons		8.8
Chemical fertilizer (100 percent)	106,100 tons		7.7
Chemical insecticide	6,376 tons		-16.9
Chemical medicine	2,497 tons		11.3
Cement	1.266 million tons		11.5
Timber	36,900 cubic meters		58.4
Metal-cutting machine tools	4,969 sets		35.1
Electricity generating installation (above 500 kilowatts)	55,700 kilowatts		54.3
Internal combustion machines (sold as commodities)	1,161,000 horsepower		48.6
Cotton yarn	46,500 tons		-6.8
Cotton fabric	249 million meters		-0.4
Woolen fabric	2.1905 million meters		28.0
Knitting wool	961 tons		5.7
Motorcycles	281,800		82.4
Bicycles	216,800		87.5
Electric fans	542,200		69.2
Television sets	193,100		42.2
Laundry machines	119,500		102.0
Sewing machines	145,600		-28.9
Wristwatches	1,301,200		17.9
Sugar	19,400 tons		26.8
Cigarettes	310,700 boxes		7.1
Wine	510,800 tons		13.6
Soap	25,100 tons		18.7
Leather shoes	5,902,300 pairs		0.9
Canned food	30,700 tons		7.7
Aluminum utensils	2,104 tons		13.1
Refrigerators	3,881		2,340.0
Furniture	1,897,600 pieces		4.6
	49.8436 million yuan		61.1

Reform in the industrial economic structure has brought into play the initiative of the enterprises and their workers and staff, and promoted the improvement of economic results. Of 88 quality indexes of 81 products checked, 85 indexes passed the requirements, accounting for 96.6 percent; 77 of them were steadily improving in quality, and the rate of steady improvement in quality was 87.5 percent. Labor productivity of industrial enterprises under the ownership of the whole people rose by 15.6 percent from 1983. Gross industrial output value of enterprises under the jurisdiction of the city and covered by the budget grew by 13.5 percent from 1983, and their realized profits and sales tax grew by 17.6 percent and 17.8 percent respectively from 1983. The period of capital circulation shortened by one day as compared with that of 1983, and the rate of profits and taxes derived from capital rose by 2.3 percent from 1983.

In 1984, the enterprises of the city's defense industry seriously implemented the principle of combining military and civilian uses, and achieved new successes in big strides. They overfulfilled the quota of gross output value 1 month ahead of schedule, with a 34.3 percent increase over 1983; of this, the output value of articles for civilian use rose by 112 percent from 1983, and the proportion of output value of articles for civilian use produced by the defense rose to 53 percent from 33.6 percent in 1983.

### III. Investment in Fixed Assets and the Building Industry

In 1984, investment in fixed assets continued to be strengthened in both key projects and the technical transformation of enterprises, on the basis of continuing to implement the principle of readjustment. Investment in the city's enterowned by the whole people was 1.272 billion yuan, a 188 million yuan increase over 1983, up by 17.3 percent; of which, investment in capital construction was 755 million yuan, up by 12.4 percent from 1983; investment in renovation and transformation was 517 million yuan, up by 25.5 percent.

Under the premise of unified planning and balancing, the investment orientation in capital construction investment was further readjusted, and focus was laid on the weak links in urgent need of development in the national economy; and the investment in communication and transportation, raw materials for capital construction, city building, and cultural, educational, and public health undertakings grew by a large margin from 1983. Investment in communication and transportation and posts and telecommunications grew by 88 percent, and investment in cultural, education and public health undertakings and social welfare increased by 29 percent. In order to ensure the building of key projects, goods and materials were supplied under contract to form complete sets for 15 key projects in the city, which accounted for 38 percent of the investment in these 15 key projects; thus, the pace of building was greatly stepped up.

In the investment in capital construction, investment in projects for production purposes was 382 million yuan, up by 3 percent from 1983, and investment in projects for non-production purposes was 373 million yuan, a 24 percent increase; of this, the investment in residential housing was 219 million yuan, a 14 percent increase.



The number capital construction projects completed in 1984 was 400, and 555 million yuan worth of new fixed assets were added, growing by 37.7 percent from 1983. The rate of fixed assets delivered for use grew to 74 percent from the 59.9 percent of 1983. Chief production capacity and results newly added through in capital construction were: capacity to process 1,700 tons [as published] of aluminum; 50,000 tons of charcoal; 7,000 tons of semiprocessed pharmaceutical products; and 4,800 spindles of silk; 91 ships were purchased with a total tonnage of 5,263 cold storage for commercial aquatic products with a capacity of 11,000 tons; 8,870 places at institutes of higher education, 16,941 places in other schools, and 1,034 hospital beds.

In the use of funds for renovation and transformation, technical transformation was further given a prominent place. Investment in the purchase of equipment and in renovation grew by a large margin from 1983; and 1,002 projects of renovation and transformation were completed and put into production, with an output value of 674 million yuan and a resulting increase of 143 million yuan in interest and tax.

The structural reform of the building industry was making rather fast progress. The city's building industry has also introduced a system under which contracts may be signed to fix the amount of wage for every 100 yuan's worth of finished work, while the system of inviting bids for contract has also gradually developed from the experimental stage to all-round implementation, and the system has already demonstrated its advantages of a shorter building period, low production cost, and less consumption of materials, with some improvement in economic results. The gross output value of building industry under the ownership of the whole people was 438 million yuan in 1984, a 51.6 percent increase from 1983, per capita labor productivity grew by 30.5 percent from 1983; and the rate of good-quality projects rose from 64.3 percent in 1983 to 70.7 percent in 1984.

#### IV. Energy Resources, Transport and Posts and Telecommunications

In 1984, Chongqing continued to implement the central principle of attaching equal attention to exploitation and practicing economy, while giving priority to practicing economy in the short term, and took a firm grasp in the technical and structural reform with saving energy resources as the key link; as a result, laudable results were scored in saving energy resources with steady growth in their production. In 1984, Chongqing produced 13.3179 million tons of energy resources (in terms of standard coal, the same in the following,) a 7.1 percent increase over 1983; consumption of energy resources was 10.5793 million tons, a 2 percent increase over 1983, of which, industrial consumption was 6.8072 million tons, an increase of 5.8 percent. In 1984, energy consumed per 10,000 yuan industrial output value was 5,880 kg, a drop of 9.2 percent from 1983, saving 692,200 tons; energy consumption of per 10,000 tons/km volume of transportation was 215 kg, a drop of 2.7 percent from 1983, saving 13,500 tons.

Efforts were made [to] tap potentials in communication and transportation and to increase the volume of passenger and freight transportation, and the annual plan was overfulfilled. In 1984, the volume of traffic conveyed by the

communications and transportation system was 14.101 billion ton/km, overfulfilling the annual plan by 18.4 percent, up by 16.9 percent from 1984; of this, volume of freight conveyed by railway was 9.25 billion ton/km, up by 18.4 percent from 1984; volume of freight conveyed by ship was 4.467 billion ton/km, up by 13.9 percent; and volume of freight conveyed by highway was 384 million ton/km, an increase of 12.2 percent.

The volume of business in the posts and telecommunications system was 26.23 million yuan, up by 11.4 percent from 1983; of which, postal services increased by 14 percent, circulation of newspapers and magazines increased by 14 percent, telegram service dropped by 2.7 percent, and the long distance call service increased by 17.6 percent. By the end of 1984, the number of households with telephones in the city had increased by 10.8 percent over the same period in 1983.

#### V. Commerce, Foreign Trade, and Tourist Industries

With the further expansion of commodity circulation in both urban and rural areas, the market has grown all the more active. In 1984, the volume of commodities purchased by the state-run and supply and marketing cooperative commercial system was 3.788 billion yuan, an 8.1 percent increase over 1983; of this, the volume of industrial products purchased was 2.895 billion yuan, an increase of 10.1 percent, the volume of agricultural and sideline products purchased was 8.66 million yuan, increasing by 1.7 percent. The sales volume of commodities was 4.182 billion yuan, a 12.9 percent increase from 1983, and the total value of commodities in stock dropped by 7.8 percent from 1983.

Total turnover from retail trade in 1984, and with the factor of price rises taken into consideration, the actual growth rate was 14.9 percent. In the total turnover in retail trade, the turnover in the retail sales of consumer goods grew by 16.2 percent, and that from the retail sales of agricultural means of production grew by 15.6 percent. The volume of major commodities in the retail business grew markedly from 1983; of these, grain grew by 28.5 percent, edible vegetable oil grew by 15.4 percent, eggs grew by 39 percent, sugar grew by 59.6 percent, chemical fiber fabric grew by 12.1 percent, woolen fabric grew by 53.3 percent, wristwatches grew by 16.1 percent, bicycles grew by 16.9 percent, television sets grew by 29.3 percent.

In 1984, all economic categories of the city's retail business increased their turnover from sales, with the individual economy growing still faster. The turnover from the retail sales of the economy under the ownership of the whole people was 1.747 billion yuan, increasing by 11.2 percent from 1983, that of collective ownership economy was 1.688 billion yuan, up 9.2 percent, and that of individual economy was 371 million yuan, up 130 percent.

With the development of commodity production, country fair trade both in the urban and rural areas is all the more active; in 1984, the volume of transactions in the country fair trade was 729 million yuan, growing by 15.9 percent from 1983.

The reform in the circulation system of the city made new progress in 1984. All kinds of trade centers and rural households specialized in transportation for sales were more and more demonstrating their powerful vitality, and diversified economic forms, diversified ways of management, diversified circulation channels, and a commercial circulation system with fewer links, of the open and managerial type was gradually taking shape. By the end of 1984, the commercial departments had set up 70 trade centers of various descriptions. Of the 76 independent accounting units of state-run retail commerce and catering service enterprises, 209 shops and outlets under them were changed into state-owned collective management. Another 85 shops and outlets were on leave to individual management. The number of accounting units changed into collective management or on lease for management accounted for 6 percent of accounting commercial units.

In 1984, the prices for daily necessities were basically stable, some prices of consumer goods rose a bit, and the price index of the annual living cost of workers and staff rose by 2.9 percent from 1983.

Since the implementation of the policy of opening up to the outside world, the city's foreign economic relations and trade and economic and technical cooperation has made new progress. The 1984 export volume of the city itself was \$62.04 million, a 130 percent increase over 1983 and the production cost in foreign exchange for export commodities dropped by 24.6 percent from 1983. In 1984, the city signed contracts on importing foreign capital totaling \$23.54 million, which was 10.2 times the total amount in all the contracts signed in the previous 4 years. The city signed 179 contracts on the import of technology and equipment with a transaction volume of \$145.01 billion, 114 times more than in 1983, and 5.2 times more than the total amount of the previous 4 years. [sentence as received] The city's export of labor services and contracts signed involved an income of \$6.6 million, a 2.3 times increase over the original plan. In 1984, the city reached agreement on 674 projects of technical cooperation with 13 provinces, municipalities, and autonomous regions and 38 prefectures and cities, exceeding the total of the previous 3 years.

The number of foreigners, Overseas Chinese, Hong Kong and Macao compatriots touring, and visiting Chongqing totaled 36,379, a 28.5 percent increase over 1983.

#### VI. Science, Cultural, and Educational Undertakings, Public Health and Physical Culture

In reference to science and technological work, the principle of serving economic construction has been implemented. The city's science and technical information center and science and technical exploitation and exchange center was founded and a number of new achievements have been scored. In 1984, the city unfolded 562 key projects of scientific research, of which 185 were completed; 13 projects were awarded national prizes for invention, and 25 projects were awarded provincial prizes for important results in science and technology.

Education has been strengthened. In 1984, the number of college students at school was 31,137 an increase of 4,728 over 1983; the number of postgraduate

students was 895, an increase of 311 students. Structural reform was continued in secondary education, the number of students at school in secondary vocational schools was 21,268, an increase of 3,307 students from 1983; the number of students at school in intermediate technical schools was 19,602, an increase of 1,992 students from 1983; the number of high school students was 617,279, an increase of 22,027 students from 1983. The pace was stepped up in popularizing primary school education, the attendance rate of school-age children rose from 95.4 percent in 1983 to 98 percent in 1984. Specialized classes for day students and day students' departments were initiated in universities for workers and staff, correspondence universities, and evening universities and all categories of specialized classes continued to expand, and the number of students was 31,424, an increase of 6,600 people from 1983.

In 1984, the Chongqing television service produced three television plays in eight installments, the Chongqing radio station produced three broadcast plays in four installments, and the opera "Festival of Torches" created by the Chongqing Song and Dance Troupe won two second prizes for its creation and performance during the national performance before fellow artists for the purpose of discussion and emulation. In 1984, the city had 2,005 movie showing units of various categories, 21 cultural centers, 14 public libraries, and 6 museums. There were 1,159 varieties of books of all categories published, with a total publication of 328.02 million copies, up by 7.8 percent from 1983. There were 14 newspapers published, with a publication of 160.35 million copies.

There were 2,483 medical and public health organs in the city, with an increase of 52 from 1983; the number of hospital beds was 33,887, increasing by 981 from 1983; and the number of medical personnel was 50,073, an increase of 1,041 from 1983; of whom, 21,049 were doctors, an increase of 496, and 8,342 were nurses, an increase of 111.

In 1984, the city successfully fulfilled the task for undertaking the fifth provincial sportsmeet, at which the sportsmen of the city broke a world record for model airplanes. In 1984, the city sports team won 177 gold medals in nationwide and province-wide sportsmeets, with 55 people (teams) breaking 54 provincial records on 42 occasions, and 102 people (teams) breaking 73 city records on 88 occasions. The city held 37 sportsmeets at city level and 381 sportsmeets at prefectural and county levels, with 63,694 sportsmen participating in them, and the activities of physical culture on a mass basis are developing more widely with each passing day.

## VII. People's Living Standards in Urban and Rural Areas

On the basis of a developing production and an invigorated economy, people's income in both the urban and rural areas increased, and their living standards continued to improve somewhat in 1984. According to a sample investigation on the income and expenditures of 300 worker and staff families, the average annual income of workers and staff was 622 yuan, increasing by 14.5 percent from 1983, with the factor of the rise in the price index taken into consideration in the living cost of workers and staff, the actual growth rate was 11.4 percent. The proportion of families with an average monthly per capita income below 35 yuan dropped from 19.7 percent in 1983 to 9.3 percent in 1984, while

the proportion of families with an average monthly per capita income above 50 yuan rose to 45.7 percent from 22.7 percent of 1983. There was a marked increase in workers and staff buying high and medium-quality durable consumer goods. Every 100 families owned 10 wardrobes, 9 sofas, 15 wristwatches, 8.3 electric fans, 16 washing machines, 6.7 television sets, and 1 refrigerator. According to an investigation of 790 peasant families in the rural areas, the average annual net income of a commune member was 329.6 yuan, increasing by 11.3 percent from 1983, and every 100 families on average bought 3.8 bicycles, 2.4 sewing machines, 33.4 wristwatches, 3.5 television sets, 1.6 cassette recorders, and 15.6 pieces of large furniture.

In 1984, the city made job arrangements for 26,100 people, including young people awaiting employment, 1983 college, intermediate technical schools and vocational schools graduates under unified job assignment by the state, and people of other categories. The total number of workers and staff by the end of 1984 was 1.8813 million, increasing by 32,000 from 1983; of whom, workers and staff of enterprises owned by the whole people numbered 1.3611 million, with an increase of 25,100; workers and staff of collective ownership enterprises in towns numbered 517,500, with an increase of 4,300. Individual laborers in urban areas numbered 49,800, with an increase of 4,000. The total sum of wages for workers and staff of the whole city was 1.731 billion yuan in 1984, increasing by 19.1 percent over 1983.

People's savings in the banks continued to grow. By the end of 1984, the total sum of savings deposits in the banks was 1.348 billion yuan, increasing by 38.7 percent from 1983; of which, the savings of inhabitants in the urban areas grew by 37.6 percent, and savings in the rural areas grew by 43.3 percent.

People's living conditions both in the urban and rural areas continued to improve. A floorspace of 1.4584 million square meters of newly built residential housing was completed by units owned by the whole people and collective ownership units in the urban areas, with 29,000 households moving into new houses in the city. And 36,000 households in the urban areas were allotted fuel gas.

#### VIII. Social Security

In 1984, the city scored achievements in the building of socialist legal system, and social order markedly changed for the better. The number of criminal cases dropped by 26.2 percent from 1983, and the frequency of criminal cases dropped by 26.5 percent from 1983. With the turn for the better of social order, the political situation of stability and unity of the whole city was consolidated and developed.

#### IX. Population

In 1984, the city scored new achievements in parenthood planning. By the end of 1984, the city's population was 13.24 million, an increase of 50,000 from the same period of 1983. According to a sample investigation on the change in population in 1984, the birth rate was 11.41 per thousand, the death rate 7.06 per thousand, and the natural growth rate 4.35 per thousand in 1984.



AGGREGATE ECONOMIC DATA

YUNNAN REPORTS GVIAO INCREASE

Running YUNNAN RIBAO in Chinese 4 Aug 84 p 1

[Article: "Yunnan's Gross Value of Industrial, Agricultural Output Increases 47 Percent"]

[Text] Since Yunnan seriously carried out the CPC Central Committee's policy of "readjustment, restructuring, reform, consolidation and improvement," economic work as a whole has shifted its focus to the task of upgrading economic results. In 1983 Yunnan's gross value of industrial and agricultural output [GVIAO] exceeded 16.68 billion yuan and the gross value of social output exceeded 20.47 billion yuan, both being 1.4 times greater than 1978. In the past 3 years, in particular, Yunnan's annual GVIAO has increased at the rate of 9.7 percent on the average, compared with the peak 1980 level of 10,234,970,000 yuan. The national income has gone up to 10.6 billion yuan, being 1.5 times greater than 1978.

In 1949 Yunnan's GVIAO exceeded only 925 million yuan, rising to 4.09 billion by 1978. However, due to "left" thinking, the agricultural structure remained unitary while multipurpose operations were not developed. As a result, the peasants' problems of getting enough to eat and wear were unsolved in many areas, especially in poor regions. After the Third Plenary Session of the 11th CPC Central Committee, Yunnan succeeded in eliminating many areas of "left" influences and implemented seriously the CPC policy of making the rural population become rich by undertaking a series of agricultural adjustments and reforms.

Grain procurement tasks have been reduced to ease the peasants' burden, while the purchasing prices and standards of award grains of some agricultural sideline products have been raised and the selling prices of some agricultural-supporting products reduced. The extensive introduction of the "household responsibility system" with the family as the operational unit and the implementation of the "three guarantees and one land" arrangement have given the peasants freedom of free road in their operations. Such freedom of operation has been extended to include retained land, fodder land, household sideline occupations and free trading. This adjustment of the agricultural structure has appropriately determined production policies and measures according to local conditions. While grain production has in no way been slackened, Yunnan's efforts will be devoted to developing multipurpose

operations, expanding the commodity system, promoting the use of science and technology and strengthening the supportive role of various trades in serving agriculture. These adjustments and reforms have effectively mobilized the peasants' zeal and initiative for production, thus bringing about a new, vibrantly alive situation in agriculture, in which full-time and priority households as well as economic combines are engaged in developing the rural commodity production. Despite last year's serious drought seldom seen in the last 100 years, Yunnan still did well in grain and economic crops such as cured tobacco, sugarcane, vegetable oils and many other undertakings.

Industrial construction in Yunnan has also achieved tremendous results. From 1950 to the end of last year Yunnan's aggregate investment in basic construction projects for various national economic departments amounted to 23.3 billion yuan, including over 6 billion yuan invested from 1979 to last year. Over 15,000 new construction projects were completed and delivered or put into production. Most of them were new or expansion projects for industry and communication. Undertaking construction on a massive scale has initially improved Yunnan's industrial backwardness. Industrial production has advanced at the average annual rate of 11.8 percent. Since the Third Plenum of the Eleventh CPC Central Committee, in particular, Yunnan has energetically implemented the policy of "adjustment, reform, rectification and consolidation" on the industrial front and eliminated "left" influences. The proportional relationship between heavy and light industries then became more rational and economic results achieved notable improvement. In 1978 Yunnan's gross value of light and heavy industries comprised 36.4 percent and 63.6 percent respectively of the aggregate of both, but now they are each about 50 percent of the aggregate. The coordinated development of all industrial departments ensures the entire industry's steady growth. In the last 5 years the gross value of industrial output has increased by 50 percent, rising annually at 8.4 percent on the average. Last year Yunnan's gross value of industrial output was 11.9 percent over the previous year's and 33.8 times greater than 1949. As Yunnan continues to develop its abundant resources such as food, nonferrous metals, phosphorus deposits, etc., it will contribute more significantly to the state.

With the development of industrial and agricultural production and the increased gross value of social output, the national income also went up from 871 million yuan in the early stage of liberation to 6.2 billion yuan in 1978 and 10.6 billion yuan last year. Calculated according to comparable prices, last year's gross value of social output and the national income rose 11.5 and 7.6 times greater than 1949, as well as 41.7 percent and 46.5 percent respectively over 1978. The average per capita income rose from 77 yuan in 1949 to 234 yuan in 1978 and 318 yuan in 1983. The peoples' housing conditions also improved. The "old trios" (bicycles, wrist watches, and sewing machines) have long been available while the "new trios" (television sets, washing machines, and tape recorders) are now reaching thousands of families. The changes in the vast rural areas are particularly impressive. In comparatively poorer areas with a population of 10 million, the days when there were not enough food and clothing to go around are largely over. The broad peasant masses are getting more and more grain year after year. They "eat last year's grain, wear dacron fabrics and live in big tile-roofed houses." Their life has improved remarkably. Those who have become rich before others, such as having 10,000 yuan to start with, have also appeared in some areas. The marked changes in their food and clothing have attracted the peasant masses to zealously develop commodity production and work hard to get rich.

AGGREGATE ECONOMIC DATA

CHINA PRODUCES MORE DURABLE CONSUMER GOODS

Beijing CONGREN RIBAO in Chinese 20 Aug 84 p 1

[Article: "PRC's Output of Durable Consumer Goods Rises"]

[Text] China has significantly increased the output of domestic electric appliances and other high-class durable consumer goods. Of these, the annual quantities of bicycles and sewing machines are already the first in the world, that of television sets ranked fourth. In the last 5 years, the retail volume of the 10 high-class durable consumer goods, including television sets, refrigerators, electric fans, etc. amounted to 18.12 billion yuan, being three times greater than 1978.

With the raising of the standards of living, the demand for more high-class durable goods has increased. To meet the consumer demand, light industrial departments have continued to produce the old foursome (bicycles, sewing machines, wrist watches and radios), striving hard to produce more home electric appliances and high-class durable consumer goods.

According to statistics, the output from 1978 to 1983 rose from 8,540,000 to 27,580,000 bicycles (1.2 times greater), from 13,510,000 to 34,690,000 wrist watches (1.6 times greater), from 11,680,000 to 19,990,000 radio sets (71 percent more), from 179,000 to 926,000 cameras (4.2 times greater), from 317,000 to 6,840,000 television sets (12.6 times greater), including from 3,600 to 531,000 color television sets. Only small quantities of washing machines, electric refrigerators and electric fans were produced in 1978, their production in great quantities was not begun until 1980. By 1983 their production had reached 3,660,000 for washing machines, 189,000 for electric refrigerators and 10,460,000 for electric fans, being respectively 14 times and 2.8 times greater and 45 percent more than 1980.

In the last 5 years, as the incomes of urban and rural inhabitants have greatly increased, so has the proportion of income spent on high-class durable consumer goods. According to statistics, the people of the country spent in 1983 some 18.2 billion yuan on the 10 popular categories of high-class durable consumer goods namely, bicycles, sewing machines, wrist watches, radio sets, television sets, cameras, tape recorders, washing machines, electric refrigerators and electric fans, tripling that of 1978.

By the end of 1983 the people as a whole owned 158 million bicycles (1 for 6.5 persons), 229 million wrist watches (1 for 5 persons), 76,750,000 sewing machines (1 for 17 persons), 215 million radio sets (1 for 5 persons) and 36 million television sets (1 for 29 persons).

According to the 1983 survey of working families, every 100 households had 160 bicycles, 76 sewing machines, 268 wrist watches, 29 washing machines, 64 electric fans, 1.6 electric refrigerators, 105 radio sets, 38 television sets, 27 tape recorders and 7.3 cameras indicating relatively large increases compared with 1978.

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CSO: 4006/4A

4 April 1985

## AGGREGATE ECONOMIC DATA

## BRIEFS

**HEILONGJIANG LIGHT INDUSTRIAL ACHIEVEMENTS**--Heilongjiang Province scored marked achievements in 1984 in increasing economic returns and switching losses to profits among the light industrial enterprises. The province realized 2.42 billion yuan in total output value, a 17.7-percent increase over the 1983 figure. Its output of edible sugar reached 515,000 tons, a 35,000-ton increase over the annual production plan; that of paper reached 384,000 tons, a 44,000-ton increase over the annual plan; and that of powdered milk reached 34,000 tons, a 4,000-ton increase over the annual plan. These light industrial enterprises across the province realized 137 million yuan in profits, a 26.6 percent increase over the 1983 figure. [Excerpt] [Harbin HEILONGJIANG RIBAO in Chinese 28 Feb 85 p 2 SK]

**SICHUAN'S OUTPUT VALUE HIGHER**--Both the urban and rural areas in the province have paid attention to developing production and controlling population growth, and have achieved gratifying results. The province's gross industrial and agricultural output value for 1984 increased by 12.5 percent over 1983, a rate of increase higher than the average national growth rate. The province's population growth rate for 1984 dropped to 0.4 percent, much lower than the average national growth rate of 1.154 percent. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 11 Mar 85 JK]

**NEI MONGGOL CAPITAL CONSTRUCTION INVESTMENT**--In 1984, Nei Monggol Autonomous Region made marked progress in building key projects and increasing investment returns. According to statistics, the region invested 2.206 billion yuan in capital construction, a 27-59-percent increase over the 1983 figure. The regional capital construction front scored a 49.6-percent increase over the 1983 figure in providing accomplished fixed assets available to the users, encompassing the 4.93 million tons of coal output increase, the 83,500 kw of power capacity increase of generating units, the 258 kilometers of newly-built electric transmission lines, the 40.4 kilometers of newly-laid railway tracks, and the 32 kilometers of newly-built highways. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 6 Mar 85 SK]

CSO: 4006/448



## ECONOMIC MANAGEMENT

### JINJI RIBAO ON NEED TO DEVELOP TOWNSHIP ENTERPRISES

HH11017 Beijing JINJI RIBAO in Chinese 12 Mar 85 pp 1-2

[Article by Jiang Shoudao (3769 7445 6670): "An Important Link for Building Socialism With Chinese Characteristics--On the Vital Significance of Developing Township Enterprises as Seen From the Experience of Jiangsu"]

[Text] Since the exhibition of Jiangsu Province's township enterprises opened in Beijing, it has aroused the attention of people in many circles. Recently, I availed myself of the opportunity, while attending a symposium in Zhenjiang on anti-Japanese bases, to make special visits to some township enterprises there and listened to a briefing on the experiences of Jiangsu Province and some cities, counties, townships, and towns there. Since the 3d Plenary Session of the 11th CPC Central Committee, the township and town enterprises in Jiangsu Province have entered a new period of prosperous development. In 1983, the gross output value of the province's township and town enterprises was 16.2 billion yuan, which accounted for 28 percent of the province's gross industrial output value. It was estimated that the figure for 1984 would be more than 20 billion yuan, an increase of about 30 percent over 1983. In the areas where township and town enterprises have developed quickly, the industrial output value has already exceeded agricultural output value, and even accounts for more than 70 or 80 percent of the gross industrial and agricultural output value. From these advanced areas and units, we can clearly see that developing township and town enterprises is indeed an important link for building socialism with Chinese characteristics and therefore is of vital significance:

First, developing township and town enterprises is indispensable to promoting the restructuring of our rural economy and in thoroughly putting an end to the economic backwardness there. In order to thoroughly change the features of our rural areas, we must restructure our rural economy. According to Jiangsu's experiences, we should first vigorously develop township and town enterprises. Only by so doing will there be sufficient possibility of carrying out this restructuring. At the same time, the development of our township and town enterprises will not only increase the income of the rural masses but will also contribute to the modernization of our townships and towns. During the 5 years since the 3d Plenary Session of the 11th CPC Central Committee, the township and town enterprises of the whole province have contributed a total of 1.5 billion yuan to the construction of cultural, educational, social welfare, and public utility facilities and thus vigorously helped in changing the features of the countryside.

Second, it is an indispensable aspect of the realization of the four modernizations. Township and town enterprises emerge in the areas where rural masses are born, grow up, and live. Their operation is flexible and their achievements are prominent. Therefore, it is easy for them to attract and amass rural financial, material, and labor resources and to use them in developing modern production. For example, in 1983, the township and town enterprises in Zhenjiang City had grown by 117.8 percent over 1978, an average annual growth rate of 16.9 percent. The industrial output value of these enterprises accounted for 38.9 percent of the city's gross industrial output value. Furthermore, township and town enterprises are a necessary supplement to our state-owned socialist economy and a necessary regulatory means for state planning. At present, the township and town enterprises in Jiangsu Province are engaged in nearly all undertakings, ranging from construction, building, machine-building, and chemical industries through food, chemical, electronics, and instrument industries, communications, transport commerce, and service trades. They have thereby resolved for the local masses shortages of some of the commodities they need, supplied some high-grade, precision, and advanced products, and thus filled some gaps for the localities and the state.

Third, it is an important link for solving various social problems in China. The question of how we are to solve our rural problems is a key to the solution of various kinds of social problems in China. However, we will not be able to solve these problems if we rely only on traditional agriculture and sideline undertakings. The implementation of the production responsibility system alone has given rise to some problems difficult for us to solve, including the problem of providing jobs for the surplus labor made redundant by the system and the problem of satisfying the demand of the masses of peasants for a large number of modern service facilities and high-grade consumer goods when their livelihood is improved. Only by developing township and town enterprises can we actually find a way to thoroughly solve these problems. For example, there are 17,000 people in Jiepai Township, Danyang County, among whom 7,300 of the 8,000 able-bodied workers have become workers and staff of township and town enterprises. All the able-bodied workers under the age of 30 in the township have been absorbed by these enterprises. Of all the rural households in the township, 95 percent have "pulled down their thatched houses and built brick houses in their place" and 20 percent of the new houses are buildings of two or more storeys. Generally, other units which have satisfactorily set up and run township and town enterprises have solved the problem of employment for their youths and the housing problem for their peasants. Some townships and towns have given preferential treatment to unmarried older youths and enabled them to satisfactorily solve their marriage problems. Many townships and towns have established clinics, cinemas, and clubs and some of them have set up spare-time staff and workers' universities or television university classes. Shazhou county has set up our country's first county-run university that trains professional technological personnel for township and town enterprises. As industry develops rapidly, the overconcentration of population in large cities has already become a common world-wide problem, which it is entirely possible to appropriately prevent and alleviate under our country's conditions through developing township and town enterprises.

Fourth, it is a reliable guarantee for consolidating rural socialist collective economy. In a country where small peasant economy is predominant, in order to build socialism, we must attract individual peasants into following the path of socialist collectivization. There is no doubt about this. However, the foundation of the collective economy that was developed by the methods of "transferring labor force at will" and "eating out of the same big pot" under the influence of "leftism" was not sound. Only after the collective-owned industry that has been developed through developing township and town enterprises under the leadership of the party and the people's government and that is based on modern production becomes the predominant sector in our rural economy will our socialist collective economy really become unshakably sound. For example, in many advanced townships, towns, villages, and brigades, the output value of collective industry already accounts for over 80 percent of the gross industrial output value and the per capita income has reached 400 or 500 yuan, of which 60 to 70 percent is wages and distribution of profits from collective enterprises. Thus the collective economy there is naturally very sound. Relying on this kind of collective economy, the peasants are assured of giving full play to their wisdom and talents and of sharply and continuously increasing their income. At the same time, the development of township and town enterprises can provide funds and technological aid to the modernization of our agriculture and enable the gradual transference of farmland to a small number of production experts who will undertake contracted responsibility for large stretches of farmland and conduct mechanized production on a large scale. Our peasants taking part in the operation of modern enterprises will also be very conducive to emancipating their minds, widening their field of vision, and continuously heightening their awareness of socialist collectivism.

Fifth, it is an ideal channel for eliminating the "three major distinctions." Gradually eliminating the "three major distinctions" is an inevitable trend of social development. However, for many years, because of the interference of "leftism" and the inappropriate measures adopted, not only have we, in fact, failed to reduce these distinctions but, on the contrary, there has been a trend of worsening these distinctions. As a result, rural youths are not content to stay in rural areas and they think that they have no future unless they become workers in urban areas. However, in the areas in Jiangsu Province where township and town enterprises have developed rapidly, there has emerged a heartening phenomenon of large numbers of peasants "not leaving their hometown even when they have parted with their land" and "entering factories without moving to urban areas." The modernization of quite a few townships and towns has begun to take shape and the income of some staff and workers in township and town enterprises even exceeds that of the staff and workers in urban areas. The staff and workers in township and town enterprises not only enjoy many conveniences in their lives similar to urban residents, but many aspects of their living conditions, such as the natural environment, housing, and food in terms of nourishment, are at such a level that they are hard for many urban residents to attain within a short time. This provides an ideal channel for gradually eliminating the distinctions between urban and rural areas, between workers and peasants, and between mental and physical labor.

It seems that the development of township and town enterprises is of such a great significance that it has become imperative. However, can it be carried out in other areas where conditions differ greatly from those in Jiangsu? How should we learn from the experiences of other areas? These are questions that we may encounter in the process of learning from Jiangsu's experiences.

First, we should admit that Jiangsu, in particular the southern Jiangsu areas, is situated near Shanghai, the largest industrial city in our country. Therefore, it has a solid technological strength that many other areas find it impossible to rival. However, this only provides the possibility for development, and if an area is not good at giving play to or exploiting these conditions, the development will not be realized. The actual process of Jiangsu's development of township and town enterprises shows: Before the 3d Plenary Session of the 11th CPC Central Committee, there were various kinds of "leftist" restrictions and township and town enterprises could only "develop in the midst of making self-criticism and make progress under criticism," Therefore the speed of development was not great. Even in the period following the 3d Plenary Session of the 11th CPC Central Committee, they continued to be criticized by those who held that township and town enterprises contended for market share and supply of energy and raw materials with state-owned enterprises. Some units were even criticized by name in newspapers. Only after people's minds were thoroughly emancipated and after various kinds of "leftist" fetters were broken were these enterprises able to achieve lasting development. When township and town enterprises rapidly developed in Zhujiang Delta in Guangdong, some people held that this was because of the favorable conditions of this delta as a homeland of Overseas Chinese, that the enterprises had developed by relying on foreign funds and technology, and that other areas could not achieve the same because they had no such favorable conditions. However, Jiangsu has scored similar marked achievements with the funds raised by itself and by relying on the technological strength in China. This has proved that it is not right to see only other people's favorable factors and to fail to see that in order to exploit and give play to their favorable factors they have made efforts to bravely carry out reform and have been good at studying new methods.

Second, Jiangsu indeed has fairly rich concrete experiences in developing township and town enterprises, which are worth study by other areas. But the most fundamental of the experiences is what the comrades in Jiangsu have repeatedly stressed regarding the necessity to emancipate people's minds, to be brave in blazing new trails, and to transform closed and self-serving economic entities into open-type enterprises that face the needs of the market. This requires the enterprises to be satisfactorily managed, to conform to the laws of the market, to find people of talent to employ, to pay attention to technology, and to be interested in market information. Township and town enterprises are not always set up by relying on currently available funds, equipment, and technology, but have been set up by relying on whatever is available. It is their satisfactory management that has enabled them to quickly grow large. For example, when the Gaochun sofa factory was set up in 1980, it had only two small rooms and eight workers and its output value for the year it was set up was less than 50,000 yuan. Through obtaining quick access to market information and making its products sell well with high economic results, it has quickly



into a modern enterprise with 150 staff and workers, over 2,500 square meters of factory building, and an output value of over 3 million yuan. The fact that this small factory, run by a township, has been able to make its products sell well in more than 30 cities of China provides good evidence for the above view. Of course, the key issue is to be good at discovering talented technological workers and employing them in important posts. However, these enterprises do not rely on upper levels for their technological personnel, but have tried by every means to solve their personnel problems. Some of their talented technological workers have come from among local "people of ability" who are good at management, have traditional skills, or are keen to study; others are technical cadres and old workers who have retired from their jobs and returned to their hometown; still others are technological experts who work in nearby factories, scientific research institutes, and universities and who come to help these enterprises in their spare time. In short, there is a variety of sources for their technological personnel. For example, the Hushouzheng pressed salted duck factory in Jiangning County has made its products very well received by its customers because it discovered a traditional method of making "Nanjing pressed salted ducks." Therefore, its output rose from 50,000 ducks in 1983 to 150,000 ducks in 1984 and it plans to produce 300,000 ducks in 1985. The Jianshanxiang television set component factory in Danyang County employed a physics teacher who was on sick leave to help it develop our country's first fuse for limiting transformer temperatures. By merely doing this, the factory produced products worth 200,000 yuan by spending only 10,000 in acquiring equipment and more than 10,000 yuan in purchasing raw materials.

Third, we learn from Jiangsu's experience an answer to the question of how we are to learn from Jiangsu's experience, that is, we should suit our measures to local conditions and give play to our strong points while avoiding our weak points. As the level of development of township and town enterprises varies and as their actual conditions vary, the corresponding measures we adopt should also vary. For example, Zhenjiang City, which originally had relatively sound foundation, is this year laying stress on grasping "five transformations." This means that in the past it mainly grasped extensive expanded reproduction, such as capital construction, the establishment of new enterprises, the development of new projects, and more enterprises, but now it has switched to mainly grasping tapping the potential of existing enterprises, renovation, transformation, energy conservation, improving the quality of products, raising economic results, increasing the variety of products, and other aspects of intensive expanded reproduction. In Nanjing, a city where township and town enterprises have developed relatively less satisfactorily, in light of the shortcoming in its failure to fully exploit its advantage in having large industrial and scientific research units and colleges and universities, the city will focus on urging these large units to adopt various means to help township and town enterprises develop. For example, the Chang Jiang machinery plant will be able to increase the output of Bat-brand electric fans by 100,000 by setting up a factory in Jingning. Thus, on the one hand, it will back up the development of town and township enterprises and, on the other, it will use the factory buildings, funds, and manpower of the towns and townships to augment its productive capacity. In some areas in southern Jiangsu where the economy is not sufficiently developed, the major method is to "first, develop cultivation,



second, develop livestock breeding, and third, develop processing industry." For example, Haian County first made a breakthrough by developing the animal feed processing industry and then conducted multiple utilization of its agricultural resources and multiple processing of agricultural products to increase their value.

CSO: 4006/475

ECONOMIC MANAGEMENT

XINJIANG CHAIRMAN CALLS FOR PROGRESS IN URBAN REFORM

HK130850 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 11 Mar 85

[Excerpts] At a recent regional meeting of prefectural commissioners, governors or autonomous prefectures, mayors and country magistrates, Ismail Amat, chairman of the region, spoke on reform of the economic structure. He urged responsible comrades of governments and departments in charge of economic affairs at all levels to emancipate their minds and to seek unity of thinking and action so as to unswervingly carry out reforms.

Ismail Amat said: Starting from last year, the region's reform of the urban economic structure began on various fronts. We have made new achievements in invigorating enterprises. Some departments which supervise industries have also properly decentralized decisionmaking powers to enterprises. Therefore, many enterprises are developing from a production pattern to that of economic development. Proceeding from their characteristics, some factories, mines, and enterprises mobilize the initiative of workers by linking their wages with performance and by rewarding the diligent and punishing the lazy. In the region 76 enterprises have introduced the system of directors or managers assuming full responsibility, and have made gratifying results.

Ismail Amat pointed out: There are still many problems in the region's reform of the urban economic structure. First, we have not emancipated our minds well enough. Basically our understanding still adheres to the outmoded concept of focusing on the natural product economy. We do not have a deeper understanding of the point that enterprises are commodity producers and can manage affairs on their own. Instead, we are apt to administer the economy through administrative measures. While decentralizing decisionmaking powers to the lower levels, some people do not implement what should be done.

Second, we lack investigation and study on the new problems and new situation that has developed in the course of reform and are unable to promptly undertake coordination and reach settlements.

Third, we do not carry out reforms in a coordinated way. Therefore when decentralizing decisionmaking powers, only the upper level does so but not the lower level; and only some people do so, but not all. The progress of reforms is affected due to this type of containing action.

Comrade Ismail Amat said: Maintaining a continued and steady rate of economic development is a major issue concerning the smooth progress of reform of the economic structure as well as the consolidation and development of the good situation. Therefore, we must grasp firmly the task of production and avoid being slack. .

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## ECONOMIC MANAGEMENT

### CHEN LEI ON ENTERPRISE ADMINISTRATION

SK180454 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 17 Mar 85

[Excerpts] In his speech to the provincial economic work conference on 17 March, Governor Chen Lei emphatically expounded on the issue of correctly handling the six relations between simplifying administrative procedures and delegating power to lower levels focusing on enhancing the vitality of enterprises.

Chen Lei pointed out: Vitalizing enterprises and, in particular, large and medium-sized state enterprises, is a central link in the overall reform of the economic structure focusing on urban areas. We must handle this problem well this year. So, we must correctly handle the following six relations:

With regard to the relation between simplifying administrative procedures and delegating power to lower levels, Chen Lei said: Delegating power to lower levels plays a dominant role while simplifying administrative procedures is a subsidiary factor in delegating power to lower levels. The key to simplifying administrative procedures and delegating power to lower levels is to free enterprises from the subsidiary role of the administrative organs and to make the enterprises become real, relative, and independent commodity producers playing a role as a legal entity in the economic field. In order to achieve the work of delegating power to lower levels, we must simplify administrative procedures. We will never really achieve the work of delegating power to lower levels without simplifying administrative procedures. A prominent task for simplifying administrative procedures and delegating power to lower levels is to sort out and consolidate various kinds of existing companies. From now on, only two kinds of companies are allowed to exist. One is economic entities practicing independent management and assuming sole responsibility for profits and losses. The other is service companies. No administrative companies may be established.

With regard to the relation between delegating power to lower levels and exercising power, Chen Lei said: The purpose of delegating power to lower levels is to enhance the vitality of enterprises and to make them exercise the power delegated by the state to develop production, improve economic results, and hand over more accumulation to the state. On the basis of delegating power to lower levels, the enterprises should continuously improve the livelihood of staff and workers. A great task ahead for enterprises is whether or not they

can well exercise the power transferred by the state after simplifying administrative procedures and delegating power to the lower levels. Previously, some comrades did not well use or arbitrarily used the power transferred by the state or organize small groups to seek private gains. This practice is not permitted.

With regard to the relation between internal and external enterprises, Chen Lei pointed out: In order to vitalize enterprises, they should draw vitality from external fields to create essential conditions for themselves and rely on self-efforts to do a good job in their internal work.

With regard to the relation between key production and sideline production, he said: It is an important question of enlivening enterprises that they fully use their production capacity to develop management in many fields and open new spheres of production on the premise of persistently developing key products. At present, quite a few enterprises still fail to jump out of the circle of single production.

With regard to the relation between production and distribution, he held: The key to reforming the distribution system and improving the livelihood of staff and workers is to develop production. Never should we put reform of the distribution system in the primary position or the development of production in the secondary position.

With regard to the relation between enlivening enterprises and managing them. Chen Lei said: The work of enlivening enterprises should be carried out within the limits permitted by the state principles. That is, we should persist in the socialist orientation and the planned commodity economy. In short, we should safeguard the overall interests and state interests. So, in the course of conducting reforms and enlivening the enterprises the practices of going against socialist orientation, damaging planned economy, and violating the overall interests and the state interests should be stopped. It is wrong not to stop these practices.

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4 April 1985

## ECONOMIC MANAGEMENT

## WANG DAOHAN ON SHANGHAI ECONOMIC STRATEGY

OW151437 Shanghai City Service in Mandarin 0100 GMT 13 Mar 85

[Text] Speaking at the mayor's office work meeting a few days ago, Mayor Wang Daohan said: The outline of the report on Shanghai's economic development strategy has been formally approved by the State Council. This is an important economic event for Shanghai.

He said: Through conscientious study and discussion, we should enable all cadres and masses of Shanghai to understand this development strategy, achieve unity in their thoughts, and work hard to put this strategy into practice.

The meeting studied and discussed the State Council's circular on approving and transmitting the outline of the report on Shanghai's economic development strategy. The meeting noted: Through readjustment, Shanghai's economy should be further reformed, opened, and liberalized. It is necessary to consolidate and develop the situation marked by sustained and more harmonious economic growth, so that Shanghai can contribute more to the four modernizations drive of China.

The municipal people's government has made plans that explicitly define the goal and task for accomplishing the development strategy.

The meeting urged all quarters in Shanghai to conscientiously study, discuss, and popularize Shanghai's economic development strategy. In formulating their annual plans and the Seventh 5-year plans, all localities, departments, and units in Shanghai should follow the requirements of the Shanghai economic development strategy, and, in light of the actual conditions, formulate specific programs for implementation. Meanwhile, it is necessary to mobilize all positive factors, double our efforts to ensure success in all fields of work, and create a new situation for transforming and revitalizing Shanghai.

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## ECONOMIC MANAGEMENT

## PROVISIONS FOR ENTERPRISE REGISTRATION IN XIAMEN

OW151253 Fuzhou FUJIAN RIBAO in Chinese 24 Feb 85 p 2

["Provisions for the Registration and Administration of Enterprises in the Xiamen Special Economic Zone--adopted by the Eighth Session of the Standing Committee of the Sixth Fujian Provincial People's Congress on 14 July 1984"]

[Text] Article 1. These provisions are formulated in accordance with the pertinent laws and decrees of the People's Republic of China.

Article 2. Special Zone enterprises shall apply for registration with the Xiamen Municipal Administration for Industry and Commerce. Those enterprises that have not registered shall not be allowed to go into operation.

Article 3. A special zone enterprise that applies for registration shall present the following documents:

1. The document of approval issued by the Xiamen City People's Government or the competent organs authorized by the city people's government.
2. A copy of the agreement and contract signed by the parties to the enterprise, and the enterprise's articles of association.
3. A copy of the business license or other relevant documents issued by the competent authorities of the government of the country (or region) where the parties to the enterprise are located.

Documents of approval from the competent authorities concerned should also be submitted in the case of special trades stipulated by the state.

Article 4. When a special zone enterprise applies for registration, it shall fill out three copies each of a registration form in Chinese and foreign language. The main items of registration shall be: the name of the enterprise, the address, the scope of production and operation, the form of production and operation, the registered capital and the proportion to be provided by each party to the joint venture or cooperative enterprise, chairman and vice chairman of the board of directors, the president and vice president or the factory manager and deputy factory managers, the number of staff and workers and the number of staff and workers of foreign nationality, the institution that has issued the document of approval, and the number and date of the document.

Article 5. To establish resident offices in the special zone, foreign enterprises and overseas Chinese, Hong Kong, Macao, and Taiwan enterprises, as well as the joint ventures with Chinese and foreign investments located abroad shall go through the registration procedures at the Xiamen City Administration for Industry and Commerce within 30 days after approval, by presenting the documents of approval, a copy of the registration certificate or other credit certificate issued by the competent authorities of the government of the country (or region) where the said enterprise is located, and a power of attorney for the resident representative. Those that have not registered shall not be permitted to carry out resident office activities.

Article 6. The enterprise or resident office shall be regarded as formally established from the date its business license or registration certificate is issued. Its legitimate business activities and rights and interests shall be protected by the laws of the People's Republic of China.

Article 7. A special zone enterprise or a resident office shall, upon presenting its business license or registration certificate, open an account with the bank in the Xiamen Special Economic Zone, and register with the Xiamen City Tax bureau for the payment of taxes.

Article 8. When a special zone enterprise desires to change its name; move to a new site; change its line of production; increase, decrease or assign its registered capital; change the scope of its production and operation; or extend the contract period, it shall apply for modification of registration with the Xiamen City Administration of Industry and Commerce within 30 days after the approval. When the enterprise changes its chairman of the board of directors, or its president, it shall apply for modification of registration within 7 days after the board of directors made the decision. Application for modification or other registration items shall be made to the Xiamen City Administration of Industry and Commerce at the end of the year by submitting a written report.

Article 9. The registration certificate of a resident office shall be renewed once every year. When it desires to change its name, resident representative, scope of business place of residency, and period of residency, it shall apply for modification of registration at the Xiamen City Administration of Industry and Commerce within 7 days after the approval by the original approving authorities, by presenting the documents of approval.

Article 10. When a special zone enterprise or resident office applies for registration or modification of its registration, it shall pay a registration fee or a fee for modification of registration as stipulated.

Article 11. A special zone enterprise or resident office, upon the expiration of its period of operation or residency, or upon the suspension or termination of business with approval before the date of expiration, shall go through the deregistration procedures at the Xiamen City Administration for Industry and Commerce, and hand in its registration certificate or business license for cancellation.

Article 12. The Xiamen City Administration for Industry and Commerce shall make an examination and give a reply within 6 days after receiving the documents from a special zone enterprise of resident office applying for registration or modification of registration.

Article 13. The Xiamen City Administration for Industry and Commerce shall supervise and inspect the special zone enterprises and the resident offices according to the law. Violators of these provisions shall be given a warning or a fine, or ordered to stop business, or they shall have their business licenses or registration certificates revoked, depending on the seriousness of their offenses. The cases of those who are ordered to stop business, or whose business licenses or registration certificates are revoked shall be submitted to the Xiamen City People's Government for examination and approval, and the records shall be kept at the Administration for Industry and Commerce for reference.

Article 14. These provisions take effect on the day of promulgation.

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## ECONOMIC MANAGEMENT

## ROLE OF ECONOMIC LEVERS USED BY BANKS REVIEWED

HK071200 Beijing GUANGMING RIBAO in Chinese 17 Feb 85 p 3

[Article by Zhou Haikuan [0719 3189 1401]: "It Is Necessary To Create Conditions for Bringing the Role of Economic Levers Into Play"]

[Text] Credit, interest, prices, tax revenue, and so on are a number of economic levers mastered by a socialist country. By giving full play to the role of these economic levers the state can effectively exercise control over macro-economy and ensure a proportionate and healthy development of the national economy. As far as the microeconomic aspect is concerned, the state can urge enterprises to reduce their costs and expenses, speed up capital turnover, spend less money, do more things, and accelerate socialist construction.

The role of these economic levers shows that the state can consciously rely on and make use of the law of value. The law of value is a law of motion governing commodity production. Although socialism is a planned commodity economy, the law of value has assumed an important position. The reason various economic levers can greatly push forward and promote economic development is that the changes of these economic levers can directly influence the production costs of commodities and profits of enterprises. Let us take interest as an example: If interest rates are high, enterprises will increase their spending and boost their production costs. They will make less profits. On the contrary, when production costs are cut, they will make more profits. To pay as little interest as possible and increase their profits, enterprises cannot but be influenced by interest rates. They adopt appropriate measures in accordance with the changes in interest rates. When interest rates are high, they reduce the amount of loans and cut down the scope of production or business development. On the other hand, when interest rates are low, they expand production and business development. As a result, the entire economic life is regulated in accordance with the macroeconomic strategic decisions of the state. The role of other economic levers follows more or less the same pattern.

Since the role of economic levers is a manifestation of the utilization of the law of value, strengthening the economic accounting system, generally recognizing and respecting the law of value, giving up the practice of "eating out of the same big pot," and reasonably integrating the enterprise operational results with the individual interests of workers and staff members are basic conditions for giving full play to the role of economic levers. If these



conditions are not available, economic operation will actually continue to be governed by mandatory planning and administrative principles. In such a case, it is impossible to give full play to the role of economic levers. Therefore, to bring the role of economic levers into full play, we should thoroughly carry out reform of the economic structure so that enterprises will truly become producers and operators of socialist commodities which can operate their business independently, assume sole responsibility for their own profits or losses, integrate enterprise operational results with the interests of workers and staff members, have the inherent motivation to accept the law of value and be influenced by economic levers, and defend the overall interests of the state. Integrating enterprise operational results with the interests of workers and staff members is the key issue. Only in such a way will the changes of the economic levers effectively capture the attention of the enterprise leaders and workers and staff members and urge them to make a relevant and active response to these changes. However, in a situation where the reform of economic structure has not yet been systematized, enterprise operational results have not yet been truly integrated with the interests of workers and staff members, and the conditions for giving play to the role of economic levers are not yet completely available, if we exceed objective conditions, abandon administrative interference prematurely, and regard economic levers as the sole method for regulation, a chaotic situation will occur in which no administrative interference is made and economic levers are weak and lax. This will cause blind development in certain economic spheres, give the green light to unhealthy trends, disrupt the normal proportion of socialist construction, and cause losses for socialist construction.

At present some people have said that the People's Bank as a central bank is lax and weak with regard to its macroeconomic fiscal control and has not played a full role in regulating the entire national economy. This is because of the fact that since the necessary conditions are not yet completely available, the People's Bank has prematurely weakened administrative means and excessively relied on the economic levers with regard to macroeconomic control.

Since the 3d Plenary Session of the 11th CPC Central Committee, our banks have actively implemented the principle of "readjusting, restructuring, consolidating, and improving"; conscientiously carried out structural reform; and achieved good results in various aspects. One of the most important results is that they have established a banking system which separates government from enterprise functions. According to this system, the People's Bank of China is a central bank, a bank which issues currency, and a state organ under the State Council which administers the financial undertakings of the whole country. According to the decision made by the State Council, it is no longer directly involved in handling matters of granting credit and providing a savings service for enterprises and individuals. It is mainly responsible for making macroeconomic decisions for the whole country and readjusting the macroeconomy. Due to the fact that the People's Bank of China no longer directly handles the matters of loans and savings service for enterprises and individuals, its macroeconomic fiscal decisions should be implemented by specialized banks, and its role of macroeconomic regulation should be reflected in the business activities of specialized banks. In other words, the macroeconomic regulation of the People's Bank should, first of all, mean regulating the business activities of the specialized banks. If the People's Bank lacks a forceful method to urge specialized banks to regulate their business activities in accordance with its macroeconomic fiscal decisions, it will not be able to truly bring the macroeconomic regulatory role of the People's Bank into play.

In recent years the People's Bank has mainly adopted economic methods to deal with specialized banks. In other words, it mainly relies on the regulatory role of various economic levers. The level of modern operations of various specialized banks is very low, the principle of economic accounting has not yet been followed in their day-to-day business activities, and the law of value has not yet been duly reflected in the banking business. Therefore, the regulatory role of the People's Bank is weak and lax.

In the world today there are two methods for carrying out macroeconomic regulation. The first method is characterized by mandatory planning and administrative means. This method is suitable for the economic system which is characterized by highly centralized management power and does not recognize commodity economy. Before the convening of the 3d Plenary Session of the 11th CPC Central Committee, we basically employed this method. The facts of many years have proved that due to its overly rigid control, this method failed to enliven the national economy, give full play to the enthusiasm of enterprise managers and the broad masses of workers and staff members, and invigorate the economy. This is not beneficial to reducing the production costs of enterprises, enhancing economic results, and speeding up socialist construction. Therefore, reform should be carried out. However, the regulatory power of this method for economic life is still effective and forceful with regard to macroeconomic control over the national economy. By adopting this method, the state can order the units concerned to do something or not to do something. One of the main points of macroeconomic regulation is to control money circulation in the market. If the issuance of paper money is on the high side, while developing production and increasing the supply of commodities the state can adopt administrative means to cut down the purchasing power of groups and strengthen its control over cash. Under certain conditions, the state may even freeze the deposits of the state organs and groups. In such a way it can rapidly reduce money circulation and overcome the situation in which money circulation is high, so that the currency value and prices will stabilize.

The second method is an economic method, that is, using economic levers to carry out the regulation. This method is also effective, because it is an economic system which completely relies on economic principles to guide activities. For example, the central banks of capitalist countries generally employ the methods of readjusting the rediscount rate, reserve ratio, and openly buying and selling bonds on the market to regulate the business activities of commercial banks. These measures directly influence the source of funds of commercial banks and the costs of their credit funds. For example, increasing the rediscount rate means increasing the interest which a commercial bank should pay when it borrows money from the central bank. Increasing the reserve ratio means reducing the amount of funds which a commercial bank may use to extend credit. To grant more credits, the commercial bank should borrow more money from other banks at a higher lending rate or absorb funds from other sources. This will increase the costs of credit funds. When the central bank sells bonds on the market, the buyers usually draw their money from commercial banks. This will reduce the amount of funds the banks can use. To maintain or expand the amount of credits which it can extend, a commercial bank is compelled to tap more sources of capital at higher interest rates. The business aim of a capitalist commercial bank is to make profits. The above measures adopted by the central bank will have a direct bearing on the profits of the commercial

bank. It cannot but be forcefully influenced by them. Although various factors offset each other, and the macroeconomic control of the capitalist central bank over commercial banks is weak, we should admit that the above economic methods are powerfully influential.

In recent years the methods we have adopted for macroeconomic control are different from the two methods mentioned above. Although we have paid attention to economic methods and the role of economic levers, we have not yet fully attached importance to making our reforms systematic. We have not yet done enough to create conditions to give play to the role of economic levers. We are clear about the enterprise nature of specialized banks, and have employed certain enterprise management methods. However, their business operations have not yet been linked with the interests of the managers, workers, and staff members, and their economic accounting is not adequate enough. Therefore, they are, in essence, not enterprises. Basically, it is administrative principles which guide their business activities. We use economic methods, economic levers such as credits, interest, and so forth in particular, to regulate the coordination of specialized banks whose business activities are still guided by administrative principles. Our methods prove weak and lax! The People's Bank increases the interest on loans to specialized banks, thereby raising their capital costs and reducing their profits. This will not put too much pressure on specialized banks, but will mainly influence the profits turned over to the state by them. This measure will not affect the interests of the leaders, workers, or staff members of the banks. Generally, when the central bank decides to readjust the lending rate for specialized banks, it sets the rate when working out plans for the coming year. Hence, when a specialized bank is formulating its credit plan, it will raise the quotas for credit and borrow more money from the central bank. In so doing, the specialized bank will make up for the discrepancy in getting a lower amount of funds because of the increase in the loan interest rate. This will not greatly influence the funds of the specialized banks.

At present, banking departments are deeply carrying out structural reform and exerting further efforts to create conditions for giving play the role of economic levers. Since necessary conditions have not yet been completely available, apart from making use of economic means, we should pay attention to using administrative means with regard to macroeconomic fiscal control.

The process of development of using economic levers in the banking departments has shown that more efforts must be exerted to speed up the reform of economic structure and make the reform systematic, so that conditions will be actively created in the interests of giving due play to the role of economic levers.

CSO: 4006/448

## ECONOMIC MANAGEMENT

### XINJIANG TEXTILE COMPANY TURNS MILLS INTO INDEPENDENT ENTITIES

HK051025 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 3 Mar 85

[Text] To invigorate enterprises and raise economic results, the Regional Textile Industry Company has decided that beginning 1 March, the six branch mills under the 1 July Cotton Textile Mill be changed into independent economic entities, do business independently, and assume sole responsibility for their profits and losses.

In the beginning of this year, leaders of the Textile Industry Company went deep into all branch mills to conduct investigation and study and discovered that there were many defects in the present systems of management at two levels and of accounting at one level in the general mill, the systems were ineffective, actions were very slow, efficiency was very low, upper and lower levels disputed over trifles in handling matters, planning was divorced from production, production was divorced from sales, and basically, the upper and lower levels did things in their own way. The general mill was a business-type unit while all branch mills were purely production-type units. This was an important reason for products being kept in stock for long periods of time. Due to the fact that the general mill adopted the method of accounting at one level, the method of apportioning all expenses must be applied, resulting in confusion of duties, powers, and profits. The practice of eating out of a big pot of rice still existed among the mills and the enthusiasm of the six production mills was seriously affected.

After investigation and study, the company announced on 21 February that the six production mills, including the Xinjiang 1 July First Cotton Textile Mill, the Second Cotton Textile Mill, the 1 July Printing and Dyeing Mill, the 1 July Bleaching and Dyeing Mill, the 1 July Motive Power Plant, and the 1 July Weaving Mill, would become relatively independent economic entities and legal persons possessing certain powers and obligations and that the Regional General Textile Mill would serve the six production mills and would promptly perform the duties of carrying out unified planning and coordination, providing service, and conducting supervision.

CSO: 4006/452

4 April 1985

## ECONOMIC MANAGEMENT

## BRIEFS

TOWNSHIP ENTERPRISE DEVELOPMENT--During his recent investigation-study tour in Dandong, Yuan Baohua, vice minister in charge of the State Economic Commission, said: At present, we should expedite reforms, make the best use of advantages, and make good preparations for opening further to the outside world. Comrade Yuan Baohua said: The key link to reform is to invigorate enterprises. A very important way to invigorate our enterprises is to expand horizontal cooperation. We should transcend the limitations of enterprises and cities. In expanding horizontal cooperation, cities should help township enterprises by distributing to them some of the spare part processing work of urban industrial enterprises. In this way, township enterprises will be developed. Township enterprises do not necessarily have to engage in industrial production alone. They should further develop commodity production and exchange in towns and townships. [Text] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 16 Mar 84 SK]

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## FINANCE AND BANKING

### SHANGHAI PRICE REFORM PROBLEMS, SOLUTIONS DISCUSSED

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[Article by Wang Zhenzhi [3769 2182 0037] and Ma Yucheng [7456 1342 2300]: "Deepening of Price Reform Urgently Needed: A Survey of the Problems of Price Reform in Shanghai"]

[Text] How can we deepen the reform of China's planned-price system and price-management practices? Our recent survey of Shanghai indicates that, if we are to promote China's price reform, we must extricate ourselves from the controversy over whether there should be a "little reform," a "medium reform" or a "big reform"; place great emphasis on reform of price-management practices and promote reform of the entire price system.

#### New Conditions and Problems

The new conditions and issues involved in the debate over reform among some Shanghai price workers may be summarized in six general categories.

1. The "coal-iron" process faces the danger of cyclical price escalation. In the past few years, coke and pig iron prices have risen in succession following increases in coal prices. Some comrades call this readjustment process the first price-escalation cycle in the "coal-iron" system, and it now appears that Shanghai faces a second round of "coal-iron" price increases. This development is due to several factors. First, there is insufficient supply of coal, and cooperation coal is 2-3 times more expensive than planned-price coal. The cooperation coal Shanghai receives from Shanxi must "travel" by truck from Datong, Shanxi, to Qinhuangdao and thence by boat to Shanghai and thus production and freight costs reach 180-plus yuan per ton. Cooperation coal received through other channels is similar in cost to that received from Datong. Second, there is insufficient supply of pig iron, and the price of cooperation pig iron is much higher than the planned price therefor. Shanghai has encountered difficulty in arranging shipments of that product from fraternal provinces and municipalities, and thus much "cooperation" pig iron has emerged, which is an important factor behind the rise in production costs for steel ingots, billets and rolled steel. Third, it is hard to effect both price increases and reductions and to balance those increases and reductions in the "coal-iron" process. Shanghai's specialty-steel prices are high, and regular-

steel prices are low. The former is used in the defense industry and for production of some goods in the "coal-iron" process. Increases or reductions in the price of specialty steels set off chain reactions which usually affect goods that serve as the means of production or nonconsumer goods. Regular steel is primarily used in civilian industry for the production of consumer goods and some products in the "coal-iron" process. Price increases or reductions for this type of steel set off chain reactions affecting both the manufacture of the means of production and market prices. Thus for price readjustment in the "coal-iron" process, it is very hard for the state to employ both price increases and reductions and to balance increases and reductions so as to eliminate chain reactions internal and external to the process. Some comrades have estimated that about 400 million yuan in taxable profits will be eliminated if prices in the "coal-iron" process are fully rationalized, yet the municipality's steel industry enjoys only 200 million yuan in retained profits. Under these conditions, many comrades believe that, while resolving price problems in the "coal-iron" process, we must also appropriately readjust the prices of related products and reform price-management practices, but we still must place our primary focus on effecting comprehensive control, make special efforts to begin increasing production and improving economic results in the "coal-iron" process and strive to reduce costs so that prices are rationalized and the pressure on prices is abated.

2. The contradiction of rising costs and falling prices for light-industrial goods is growing increasingly severe.

In recent years, a new situation has arisen in Shanghai's light-industrial production. On the one hand, the development of competition and the reduction in foreign-trade procurement prices have caused a decline in prices for light-industrial goods. On the other hand, increases in prices for raw materials, disguised price increases and the growing importance of negotiated prices for raw materials have raised production costs for some goods. The primary causes of this contradiction are as follows. First, processed goods no longer enjoy high prices and large profits. For Shanghai, the increase in prices for raw materials, raises for workers and staff members and the distribution of bonuses over the last few years have engendered major changes in the situation in which processed goods enjoyed high prices and large profits. This is especially so in the system under the Second Ministry of Light Industry, where the previous situation has almost entirely disappeared. In the case of sewing machines, for example, the plan to readjust pig iron prices, which was proposed by comrades in metallurgical departments, would make it impossible to earn a profit and even create a loss of 0.18 yuan per sewing machine. If prices for both pig iron and steel products are increased, each sewing machine will not earn enough profit to cover taxes. Second, the high-price problem for some raw materials is quite severe. For example, domestic stainless-steel production costs run 13,000 yuan per ton, but imported stainless-steel costs only 5,000 yuan per ton. Thus if domestic production costs are not appropriately reduced, imports will greatly increase. Third, there is a universally large gap between commodity departments' purchase and selling prices. This price differential is a result of previous conditions and has become quite large across the board. And though the differential played a positive role under previous conditions, commodity departments at every level have made

efforts since the 3d Plenum of the 11th CPC Central Committee and especially during the last several years to undertake partial readjustment and reform, yet no thorough reform has been implemented. Fourth, there is a salient contradiction between centralized procurement levels for "planned" goods and insufficient planned supply of raw materials therefor. For example, almost all sewing machines are purchased centrally by the state, which also sets producer prices for this good, but only 30-40 percent of the raw materials needed to produce this good are supplied through planning, and the other 60-70 percent of these materials must be arranged by the producer enterprise itself.

Due to the above conditions, many comrades believe that, while readjusting and reforming the price system, we must weigh all the pros and cons, avoid overly large price increases, ensure that there are both increases and reductions and, especially, give full consideration to the receptiveness of both users of the means of production and consumers of the goods users produce.

3. The methods of managing floating chemical-industry prices do not meet current needs.

Beginning in 1980, the state approved a trial system of floating prices for chemical-industry products. At that time, the primary intention was to permit downward flotation of producer prices for chemical products for which there was an oversupply, and the base prices for and direction and magnitude of flotation were to be decided primarily by the Ministry of Chemical Industry. This was especially so in the case of chemical products managed by the ministry, whereas localities desiring to readjust base prices and flotation direction and magnitude were required to apply for approval from the ministry. In practice, this system has shown many advantages and thus should be resolutely maintained. Nevertheless, the ministry cannot effectively and vigorously manage floating prices for so many chemical products. Moreover, except for price increases (including base prices and flotation direction and magnitude), which localities are required to report for approval, all other matters relating to floating base prices for chemicals and flotation direction and magnitude are determined by companies themselves: The prices of all nonfloating chemical products that are exchanged within the chemical industry system are set by producer companies, as are one-time prices for mass-produced goods that are managed by the municipality. These measures are still being explored, and central departments managing Category One goods and general-price departments must provide new approaches as soon as possible.

4. There is a large gap between state list prices and market prices for marine products.

In Shanghai, the market price for marine products is one to two times higher than the state list price because there has been a large increase in the cost of producing such goods, while the state cannot make similar increases in planned purchase prices therefor.

Regarding costs of production, fishing grounds for marine products lie in international waters, whose resources cannot be monopolized. Thus increases in fishing capacity lead to declining per-unit returns on investment, and production costs consequently rise. In addition, diesel-fuel expenses account for as much as 20-30 percent of all fishing production costs, so increases in fishing diesel fuel inevitably raise costs. According to statistics for 1979-83, Shanghai's annual catch remained relatively steady at 130,000 to 140,000 tons, whereas production costs greatly increased. Producers, therefore, vigorously sought to sell their catch at negotiated prices, and thus the relative importance of state planned procurement for these goods steadily declined.

Regarding sales prices, ocean fish are a staple food for Shanghai residents, and since wages cannot be greatly increased, the state finds it very difficult to raise retail prices for ocean fish. Yet because planned purchase prices are too low, fish that can be procured at planned or negotiated prices are for the most part small and inferior, which many consumers find very unsatisfactory. In recent years, the municipality has decided to give residents ration coupons to buy 2 jin of parity-priced ocean fish per month. Yet only 75 percent of all residents have received such coupons, leaving 25 percent of the population unable to procure parity-priced fish, while some residents refuse to use the coupons for "inferior leftovers," which caused some spoilage of seafood, left some consumers dissatisfied, created corresponding losses for managing departments and made it difficult for state price subsidies to play their proper role.

Based on conditions among producers and consumers, some price workers have urged that the state shift its subsidies for seafood over to rationing, provide coupons to individuals, let individuals use the coupons to purchase fish and simultaneously increase retail prices therefor. These comrades believe that this approach will eliminate the reverse differential between purchase and selling prices but will also prevent fish-consumption subsidies from affecting market prices for other commodities. The pros and cons and feasibility of this approach await further examination.

5. There is a salient contradiction between the planned purchase prices and above-quota purchase surcharges for agricultural produce set centrally by the state and the costs borne by grain producers in the suburbs of Shanghai.

Most of the grain supplied by Shanghai to urban and rural residents is shipped in from fraternal provinces, and the freight costs therefor are 50-100 percent higher than the state's above-quota purchase surcharges for grain. Thus, as long as vegetable and nonstaple-food production and diversified farming are unaffected, we must plant more grain in the rural suburbs of the municipality. Nevertheless, since grain production costs are urgently increasing, the state's planned purchase prices and above-quota purchase surcharges no longer fully offset the costs borne by grain producers, so commune and brigade collectives must use some of their industrial and sideline income to provide price subsidies to grain producers.



Due to these conditions in suburban grain production, many comrades believe that the state's purchase prices for grain in urban-suburban areas such as Shanghai should not be set too rigidly, that procurement quotas should be appropriately reduced, that the regulatory role of the market should be expanded or that, for grain purchases within planned quotas, planned and surcharge prices should be combined in a proportionate mixed rate and, for purchases beyond those quotas, a system of floating prices should be employed.

6. The agricultural and sideline-industry product trade fair has already shown results.

The Shanghai Vegetable Co has been running an agricultural and sideline-industry product trade fair for 4 years, and units from 28 provinces, municipalities, autonomous regions and other localities have come to Shanghai to participate in this trade, exchanging vegetables and fruit, each of which commodities account for 40 percent of the fair's total trade volume. Product variety at the fair is increasing, and prices generally are declining. According to statistics, between January 1983 and January 1984, the price of apples dropped from 48.90 to 44.70 yuan, a decline of 9.3 percent; pears declined from 39.90 to 21.50 yuan, or 46.1 percent; and oranges and tangerines, from 63 to 61.80 yuan, or 19 percent.

Some produce that the state has difficulty procuring can be easily obtained through free trade, prices are by no means high and there is no need for sales-award programs. For example, from 13 February through the end of April 1984, Shanghai commercial departments purchased 52,000 dan of fresh eggs (at an average price of 1.12 yuan per jin) at the trade fair, an increase of 50 percent over the same period in the previous year. Meanwhile, bamboo shoots, potatoes, hotbed chives and other produce have been streaming into Shanghai from all over the country. Many comrades believe that the trade fair shows tremendous vitality and is significant in promoting the prosperity of the urban and rural economies and the reform of the price system and price-management practices that cannot be overlooked.

#### New Understanding and Ideas

The above discussion indicates that the reform of China's price system and price-management practices is a very formidable yet urgent task, and if we are to deepen this reform, we must not only strengthen price agencies, formulate and revise regulations governing price management, devise theoretical prices and increase study of price theory and policy, but we must also place emphasis on the new conditions and problems confronting price reform and develop new understanding and ideas, which we believe should include the following.

First, while upholding the general policy of keeping the planned economy primary, we should place appropriate emphasis on the positive, regulatory role of the market and further increase the number of commodities enjoying free prices.



Shanghai's price-reform experience, especially that of the trade fair for agricultural and sideline-industry goods, indicates that the previous emphasis on the negative effects of free prices was exaggerated and rather one-sided. For free exchange at the Shanghai trade fair has not only not created a "crisis," but has also helped resolve the old, major and intractable problems associated with the overly centralized planned economy. This demonstrates that under China's socialist system's free prices and the law of value they embody still play a major, positive and regulatory role. We acknowledge and must appropriately expand this role, and we must apply free prices to most agricultural produce and to some industrial goods. As long as we maintain the primary position of planned prices, engage in courageous exploration and constantly summarize experience, the work of expanding the role of free prices should yield tremendous results and require little effort.

Second, we should also place appropriate emphasis on the positive role of floating prices so as to enhance the flexibility of planned prices.

Shanghai has already achieved gratifying results with the floating-price system for chemical products, and fact indicates that, when appropriate and when complemented with other related measures, floating prices in many cases show many more advantages than do the state's unified, fixed prices. We should expand application of floating prices in a planned and differentiated fashion and at the very least should use them for industrial means of production whose quotas have been met and for manufactured goods for daily use.

Third, we should also stress reform of price-management practices and use that reform to advance the reform of the price system.

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## FINANCE AND BANKING

### GLORIOUS ACCOMPLISHMENTS IN 35 YEARS OF PRICING

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[Article by Editorial Department: "35 Years of Glorious Accomplishments in the Work of Pricing"]

[Text] Our nation has made significant gains in economic construction in the last 35 years. Notable results have also been achieved in the pricing of commodities during the various historical periods in our socialist revolution and construction. These accomplishments may be summarized as follows:

1. The maintenance of basic stability in commodity prices. This has been the unwavering policy of the party and government since the establishment of the republic. The basic stability of commodity prices is an important condition for engaging in economic construction according to a plan. Over a long period of time, commodity prices in our nation have remained basically stable. In the 33 years between 1950, when an end was put to the spiraling inflationary trend set by the Kuomintang, and 1983, retail prices of commodities have risen 55.6 percent at the average annual rate of 1.35 percent. During this period, the income level of the laborers and peasants has risen at a more rapid rate while the standard of living of the people has steadily improved with the development of production. The sustained stability of commodity prices in our nation is in sharp contrast to the violent price fluctuations which have taken place in some capitalist countries. Between 1950 and 1983, the price indices of consumer goods in the FRG, the United States, Japan, France and Great Britain have risen from threefold to ninefold. Our ability to maintain the basic stability of commodity prices during the course of our socialist revolution and construction thus represents a victory of major proportions.
2. The reduction in price parities between industrial and agricultural products. There was in the old China a wide "scissors differential" in the exchange of industrial and agricultural products that was the result of the semi-feudal and semicolonial economic exploitation system. Since the establishment of the republic, our nation has, in compliance with the behest of Comrade Mao Zedong, gradually reduced the "scissors differential" and adopted a parity or close to parity policy in the exchange of industrial and agricultural products. By 1957, the price parity between industrial and agricultural products had been restored to the 1937 level prior to the war of resistance against Japan.

Since then, the trend has continued to show improvement. Between 1950 and 1983, the procurement prices of agricultural products increased 221.3 percent while retail prices of industrial products in the rural areas increased only 14.8 percent and the prices of the agricultural means of production increased only 8.4 percent. Due to the increase in the procurement prices of agricultural products on a number of occasions and the relative stability of retail prices of industrial products in the rural areas over a long period of time, price parity between industrial and agricultural products had been greatly reduced. By 1983, price parity had been reduced to 64.3 percent so that the peasants were able to use the equivalent of 35.7 percent of their agricultural products in 1950 prices to exchange for the same amount of industrial products. This has served to consolidate the alliance between industry and agriculture, to reduce the gap between the cities and the rural areas and that between industry and agriculture and to promote the development of production.

3. The gradual readjustment of commodity prices that were glaringly out of line. In the early period of the republic, the party and government, after having stabilized the prevailing commodity prices, proceeded to readjust according to a plan. At different stages the prices of major industrial and agricultural products on the principle of "refraining from making basic changes while making readjustments in particular cases," to find solutions to a number of problems that had come down from the past as well as problems that had newly cropped up, to set prices for a variety of new products, to study in earnest the proper price parity of agricultural products centered on the price of grain, to increase on a number of occasions the purchasing and selling prices of such agricultural products as grain, cotton, oil and pork as well as the prices of such heavy industrial products as coal, mineral ores, pig iron, steel, cement and lumber and to readjust upward or downward the prices of products of light industry and textile products. Such measures, which had been adopted in rapid succession since the 3d Plenum of the 11th CPC Central Committee, had had a salutary effect on the establishment of proper economic relations, in promoting the development of production and in increasing the circulation of commodities.

4. The policy of setting a proper price differential. The setting of a proper price differential is essential to the promotion and expansion of the production and circulation of commodities. Since the establishment of the republic, the state has done much work in investigation and research prior to setting up and implementing a proper price differential policy. First of all, on the basis of changes in the specific circumstances pertaining to the transportation of various types of commodities and the logical flow of their circulation, the state set different rates for purchasing and selling prices, wholesale and retail prices, prices in different areas and prices in the cities and rural areas so as to facilitate unified planning with due consideration for the economic benefits of the industrial and commercial departments, the different areas and the cities and rural areas as a means to promote the development of the socialist economy and the circulation of commodities. The state also adopted a policy designed to serve the interests of the remote and mountainous areas and the regions inhabited by the minority nationalities by setting a protective floor for purchase prices for major subsidiary agricultural products and local and special local products and a controlled ceiling selling prices for such major industrial products as salt and kerosene. Subsidies are paid by the state for losses resulting from the implementation of this policy.

5. The establishment of a trial basis of a price control system with Chinese characteristics. This system has served to promote socialist construction projects and to achieve the strategic objectives we have set for the new era. In the course of the last 35 years, and especially since the 3d Plenum of the 11th CPC Central Committee, we have, in attempting to establish a price control system with Chinese characteristics, continued to engage in serious studies with a view to bringing about readjustments and reforms. In line with the principle of "attaching major importance to the planned economy and secondary importance to market readjustments," we have established on a trial basis a flexible price control system which attaches major importance to planned prices and secondary importance to other price forms in order to meet the need to invigorate the economy.

The achievements described above are the results of the work that had been done over a period of 30-odd years under the leadership of the party and government and with the joint efforts of the parties concerned. The work of readjusting prices and establishing a proper price control system has had different points of emphasis in different stages in history so that there has been no uniformity in the policies and measures adopted or in the results accomplished.

#### Initiation and Development of Work on Pricing Prior to the 3d Plenum of the 11th CPC Central Committee

The major achievements in the work of pricing from the time of the establishment of the new China to the new era of economic construction initiated by the 3d Plenum of the 11th CPC Central Committee may be described as follows:

1. Outstanding results were achieved shortly after the establishment of the republic by the adoption of economic and administrative control measures to put an end to the vicious inflationary trend set by the Kuomintang regime and to stabilize commodity prices in the market.

At the time of the establishment of the new China, the work of pricing was difficult to the extreme. The reactionary government of the old China issued a large amount of currency, thus setting a vicious inflationary trend in motion. In the 12-year period from July 1937 at the outbreak of the war against Japan to May 1949, the amount of currency issued by the Kuomintang regime increased over 140 billion times and the increase in commodity prices reached astronomical proportions so that industrial and agricultural production was seriously dislocated and the people and the masses were dealt a devastating blow. When the war of liberation was still in progress, the new China had to rely on the issuance of currency to make up for budgetary deficits. On top of that, the situation was further aggravated by those who used their capital for speculative purposes to fan the flames of disorder so that large-scale price fluctuations were triggered on four separate occasions during the early period of the liberation. In the 9-month period between June 1949 and February 1950, the wholesale price index increased 20-fold in Shanghai. It was the earnest hope of the people and the masses for the stabilization of commodity prices, the restoration of order in the market and the reconstruction of the national economy. Under the circumstances, a timely policy was adopted by the party to

stabilize commodity prices. Major measures were taken to sell large quantities of materials to bring prices down, to crack down on speculation, to withdraw currency from circulation and to slow down price increases. By 1950, a budgetary balance had more or less been achieved by the state and the renminbi had basically become the currency used in the marketplace throughout the nation; there was an increase in the supply of major materials under the control of the state, such as grain, coal, cotton yarn and piece goods; the amount of deposits in the state-operated and jointly operated banks had reached over 90 percent of the total amount of deposits in the entire society and basic conditions had been created to eradicate the violent increase in commodity prices. In this connection, the State Council and the People's Government issued in March 1950 "Decisions Concerning the Unification of the Financial and Economic Work of the State" calling for the unification of control over incomes and expenditures, the unification of control over the movement of supplies, the unification of management over cash reserves of the state and the adoption of measures to overhaul revenues and raise government bonds as a means to surmount financial difficulties, to deal a blow against speculation and unscrupulous practices and to stabilize commodity prices. The enforcement of these measures yielded favorable results in short order. By June 1950, commodity prices in the marketplace had become basically stabilized following a period of violent fluctuations. Upon the completion of the land reform program and the basic recovery of the economy in 1952, commodity prices became stabilized on a sustained basis. This major victory on the economic battleline gave the people cause for rejoicing and the necessary favorable conditions were created for the recovery and development of the national economy.

2. Under the guidance of the general line for the transition period, prices were used as a level to accelerate the socialist reform of the privately operated industrial and commercial enterprises.

In 1952, the CPC Central Committee put forward the general line for the transition period that "Effort must be made over a considerable period of time to bring about step by step socialist industrialization and socialist reforms in agriculture, handicrafts and the capitalist industrial and commercial enterprises in the nation." Under the guidance of this general line, a great deal of work in pricing was done by making use of, imposing restrictions on and reforming the privately operated industrial and commercial enterprises.

a. Fixed prices were set for agricultural products purchased and marketed on a monopoly basis by the state. From 1953 to 1954, the state adopted the system of purchasing and marketing such products as grain, vegetable oil and cotton on a monopoly basis and setting their purchasing and marketing prices. The enforcement of this measure not only ensured the supply of the most essential means of living in the cities and rural areas but also served to weaken or to loosen the control exercised by privately operated industrial and commercial enterprises over the economic relationship between the cities and rural areas, between the various areas and between production and circulation and to facilitate the reform of privately operated enterprises.



b. Wages and prices were set for privately operated industries. Depending on the specific circumstances of the various trades and businesses and the amount of investment, the profits of privately operated industries were limited to around 10 percent, 20 percent or 30 percent. In line with the principle of "giving encouragement to the progressive, showing consideration for the majority and motivating those who lag behind," action was taken to put restrictions on and to reform the privately operated industries.

c. Effort was made to reduce the price gap among the different regions and to put restrictions on and to squeeze out the privately operated wholesale businesses. The percentage of privately operated wholesale businesses out of all the wholesale businesses in the nation was reduced from 36.2 percent in 1952 to 4.4 percent in 1955 so that the reform of all the wholesale enterprises may be said to have been basically completed.

d. Action was taken according to a plan to allocate supplies for the privately operated retail businesses and to set the difference between wholesale and retail prices for the various commodities so as to steer the privately operated wholesale and retail enterprises along the socialist direction. By virtue of the power of the state and on the basis of the special features of our society, we were able to complete the socialist reform of the capitalist industrial and commercial enterprises in 1956 by the adoption of the correct principles and policies.

During this period, the state properly readjusted the purchasing prices of such major agricultural products as grain, cotton, cured tobacco and sugarcane. The prices of a few light industry and textile products, coal and diesel oil used by peasants were readjusted at different times to reduce the gap in the price parities between industrial and agricultural products so as to promote the development of production. During the period of the First 5-Year Plan, total production value increased at a 10.9 percent annual rate, the annual retail price index throughout the nation increased an average of 1.6 percent, the progressive rate of increase in the wages of workers and staff members came to the average of 7.4 percent and the progressive rate of increase in the income of the peasants came to the average of 5.1 percent. Through the development of production, prosperity was brought to the marketplace, commodity prices were stabilized and the livelihood of the people showed rapid improvement, much to the satisfaction of the masses.

3. In the early 1960's, the creative manner in which the work of pricing was pursued to surmount our financial and economic difficulties, to stabilize commodity prices and to readjust the national economy yielded notable results.

Since 1958, due to the "leftist" guiding thought, the "Great Leap Forward Movement," the "antirightist" campaign, the series of natural disasters and the withdrawal of Soviet experts, the development of our national economy was dealt a severe setback. As a result of a sharp drop in production, the shortage of supplies in the market and the steep rise in commodity prices, the national economy was beset with great difficulties. It was in June 1960 that the CPC Central Committee adopted the "readjusting, restructuring, consolidating and improving" policy. Under the guidance of this policy, a series of major

pricing measures were implemented. First, in August 1961, the CPC Central Committee decided that the selling prices and charges of 18 items among the daily necessities for staff members and workers, such as grain, cotton, knitwear, cotton for wadding, salt, sugar, coal, matches, stationeries and rent should be stabilized at the rate prevailing at the time and that they were not to be raised. Expenditures on these 18 items comprised about 60 percent of the living expenses of the residents in the cities and rural areas. At the same time, the state also decided to increase the procurement prices of agricultural products but not their selling prices and to subsidize operational losses. Second, as from 1961, the state also adopted the policy of raising the prices of certain commodities, such as cakes and pastries, candies, food served in restaurants, high-quality alcoholic beverages, bicycles, clocks and watches, knitwear, tea, sugar and imported cigarettes so as to increase their supply. The increase in profits resulting from the sale of high-priced commodities between 1961 and 1964 amounted to 5.68 billion yuan, making it possible for the state to withdraw currency from circulation, to stabilize commodity prices and to improve the standard of living of the people. Third, the state took action to curtail the purchasing power of certain groups in society, exercised control over putting currency into circulation and strengthened the centralized and unified control over commodity prices. Fourth, the state widened the scope for the planned supply of commodities and enforced the practice of selling major consumer goods in short supply upon the presentation of certificates. These measures were adopted as a last resort under the economic difficulties that existed at the time to ensure the equitable distribution of daily necessities.

In 1962, the State Council established the National Commodity Prices Commission to strengthen government leadership in the work of pricing and to readjust in different stages and different groups certain unreasonable prices prevailing at the time. Among the types of commodities whose prices were readjusted were metallurgical products, machine and electrical products, coal, lumber, knitwear, bicycles, herbal medicines and certain subsidiary agricultural products. The wide range and scope of price readjustments had the effect of promoting the production of these commodities and of increasing their supply in the market.

By 1965, upon the successful completion of the task of readjusting the national economy, the work of stabilizing commodity prices had come to a successful conclusion. Taking the index of retail prices throughout the nation as 100 in [1960], the overall index came to 116.2 in 1961, 103.6 in 1962, 94.1 in 1963, 96.3 in 1964 and 97.3 in 1965. Prices in country fairs also showed a rapid drop while prices for high-priced commodities gradually levelled off.

4. During the "Great Cultural Revolution," measures were taken to impose a freeze on and to stabilize basically commodity prices.

The 10-year period of calamity brought on by the "Great Cultural Revolution" caused the greatest damage done to the national economy since the establishment of the republic. At the time, the price control setups were completely paralyzed, the price control systems which had proved their effectiveness were scrapped and commodity prices threatened to get completely out of control.

With a view to stabilizing commodity prices and reducing the damage done, the State Council issued in 1967 the notice "Certain Stipulations for Further Restricting the Instigation of Revolutions, Exercising Control over the Purchasing Power of Certain Groups in Society and Strengthening Control over Cash, Supplies and Commodity Prices." This notice stipulated that "The various localities must, in line with the policy of stabilizing the market and commodity prices, strengthen their control over commodity prices in the market. Unreasonable prices and price differentials in the various regions as well as price differentials in the cities and rural areas are to be dealt with after the Great Cultural Revolution. The various fees are not to be lowered without authorization." In 1970, the State Council again issued a "Notice Forbidding the Readjustment of Commodity Prices without Authorization" which in effect put a freeze on commodity prices. This measure, which was imperative at the time, had the positive effect of easing social unrest, maintaining discipline in the market and controlling increases in the prices of commodities. The freezing of commodity prices over a long period of time also had the effect, however, of rendering impossible reasonable readjustments of commodity prices and weakening commodity prices as an economic lever, thus adding to the problems in production and circulation and making it difficult to engage in the work of pricing.

#### Readjustment and Reform of the Pricing System in the New Era

The 3d Plenum of the 11th CPC Central Committee redressed the wrongs done first by the "leftists" and later by the "Great Cultural Revolution" and put the focus of its work on economic construction. The history of the party took a sharp turn with the advent of a new era marked by the four modernization projects of construction. Under the guidance of the lines, principles and policies of the 3d Plenum of the 11th CPC Central Committee, the economic battle-line freed itself from the shackles which had been imposed by the "leftist" ideology over a long period of time and made clear in even more unequivocal terms that the socialist economy was a commodity economy, that the means of production were also commodities, that importance must be attached to the law of values and that socialist countries could and must make better use of the relationship between commodities and money and the law of values to promote economic construction. It was then that the work of pricing began to undergo a period of readjustment and reform.

During the 10-year period of turmoil, commodity prices were frozen over a long period of time so that prices were unreasonable to the extreme. Prices for agricultural products in particular were much too low and the parity between industrial and agricultural products was further widened compared to the latter part of the 1950's. In order to restore and to develop agricultural production more rapidly, to ensure the rapid development of the entire national economy and to continue to improve the standard of living of the people of the entire nation, the party and government of the new era considered it imperative to increase the purchase prices of agricultural products and to further motivate the socialist attitude of the hundreds of millions of peasants in approaching the work of pricing. Since 1979, the government has increased to a considerable extent the purchase prices of major agricultural products. Following readjustments over several years, the general level in the purchase prices of

agricultural products in 1983 showed an increase of 47.7 percent over those of 1978. During those 5 years, the average progressive rate of increase per year in the purchase prices of agricultural products came to 8.1 percent, or almost 3 times (2.8 percent) the average progressive rate of increase per year for the 28 years prior to the 3d Plenum of the 11th CPC Central Committee. These price readjustments have had a profound effect on the sustained development of the entire national economy. The vigorous development of the rural economy since the 3d Plenum of the 11th CPC Central Committee may be attributed to the successful implementation of the party's policies on the rural economy, including that of readjusting the prices of agricultural products. With the increase in the purchase prices of major agricultural products, the state also readjusted their selling prices according to the circumstances of the various localities. While the selling prices of a few commodities such as grain, cotton and oil remained unchanged, those of eight subsidiary foodstuffs, namely, pork, beef, mutton, marine products, fowls, eggs, vegetables and milk were increased to a suitable extent. An additional amount of 5 yuan per month was also paid to each staff member and worker as subsidy for subsidiary foodstuffs to ensure that the actual standard of living of the majority of the people would not be adversely affected. The implementation of this measure had the desired results and further experience was gained in dealing properly with price increases for major commodities while safeguarding the livelihood of the people.

During the same period, the prices of a number of heavy industrial products were also readjusted from time to time. As from March 1979, the price of each ton of raw coal allocated by the state was increased on the average by 5 yuan or 31.5 percent. The prices of many of the major means of production, which were inordinately high to begin with, were made even more so by the increase in the price of coal so that proper readjustment was in order. Consequently, the state increased one after another the prices of ore, coking coal, pig iron, steel ingots, steel billets, rolled steel, lumber cement, glass, sulphuric acid, soda ash and certain agricultural means of production and lowered the prices of certain machine, electrical and rubber products. In 1983, the state also readjusted the rate for railway freight transportation and for passenger and freight water transportation. These readjustments have served to improve the price parities among the products of excavation, raw materials and the processing industries, to ease the contradictions caused by unreasonable prices, to facilitate the readjustment of the structure of our industrial products and to promote a continual and steady increase in industrial production.

As regards the light and textile industries, the increase in the prices of raw materials and the objective economic circumstances made it necessary to readjust the prices of finished products. Among the major items whose prices have been readjusted upward in 1981 may be mentioned bamboo and wood products, metal products, pottery and porcelain products, leather products and alcoholic beverages while the prices of television sets, wrist watches, washable cotton textiles and elastic stockings made of polyamide fiber were lowered. Then, in early 1983, the prices of knitwear made of chemical fibers were greatly reduced while the prices of cotton textiles were increased to a suitable extent. The upward or downward readjustment of the retail prices of consumer products at different times and in different groups has served to maintain the basic stability in the general level of commodity prices in the market and has proved



to be an effective means to ensure the stability of the people's standard of living. These price readjustment measures have exerted not only a salutary effect in eliminating by gradual degrees the glaringly unreasonable price structure of certain consumer goods and in promoting production and increasing circulation and sources of supply but also in increasing the financial resources of the state and balancing the budget while the increase in the prices of cigarettes and alcoholic beverages in 1981 helped to promote the development of production. As a result of reducing the subsidies for raw materials and achieving a balance in market demands, the income of the state increased by over 2 billion yuan in 1983. The readjustment of prices for textiles has made more reasonable the price parities between chemical fibers and cotton fabrics. With the reduction in the prices of fabrics made of chemical fiber, the unmarketable and stockpiling situation soon took a turn for the better. The 42.9 percent increase in the sale of fabrics made of chemical fiber in 1983 compared to the previous year not only served to promote the development of the textile industry but also to improve the structure of the people's clothing. The increase in the price of cotton fabrics has made it possible to put the cotton fabric production plan into practice and to reduce the amount of subsidies for cotton paid by the state. Facts have proved that this major measure has been of great benefit to the nation and the people.

Following the 3d Plenum of the 11th CPC Central Committee, gratifying results have been achieved in seeking ways and means to reform the price control system while readjustments of unreasonable prices were being made. In the "Provisional Measures for the Control of Commodity Prices" issued in 1982, the State Council made an initial attempt to sum up the experiences which had been gained and stated in clear-cut terms what action should be taken under the price control system and in compliance with the various policies. In recent years, new developments have taken place in the course of economic reforms. First, in line with the principle of placing primary importance on the planned economy and secondary importance on market readjustments, we adopted the price control measure which, while attaching major importance to prices set by the state, also permits the coexistence of various forms of negotiated purchasing and selling prices among the industrial and commercial enterprises and in country fairs; the prices of major commodities which have a crucial effect on the construction projects of the state and the standard of living of the people are to be set by the state; after the targets for monopoly and assigned purchasing have been met, the third type of subsidiary agricultural products and the first and second types of agricultural products are to be purchased and sold at negotiated prices; the prices of small commodities among the third type of industrial products are to be negotiated among the industrial and commercial enterprises according to market demands; prices at country fairs are to be allowed to float according to market conditions. Second, under the principle of continuing to follow the united leadership of the Central Committee and of allowing the exercise of control by the various levels of the local governments, control over prices is to be relaxed, the list of commodities controlled by the central government is to be reduced and the power of the localities and enterprises to set prices is to be expanded. Third, while priority is given to unified prices set by the state, the measure is to be adopted to permit to a certain extent the practice of negotiating purchasing and selling prices and of allowing the industrial and commercial enterprises to determine the variety and scope of commodities which may be purchased and sold at negotiated prices. These flexible price control measures have served to promote the production and circulation of commodities and the invigoration of the economy in the cities and rural areas.



Despite the major readjustments which have been made in the pricing system, the price control measures which have been adopted and the sizable increase in commodity prices which has taken place in given years, the basic stability in commodity prices must, generally speaking, be considered an accomplishment of major proportions. Comparing 1983 to 1978, the index of retail commodity prices increased 14.5 percent while that of the cost of living of staff members and workers rose 16.7 percent. During this period, cost of living subsidies were paid to staff members and workers by the state and their average wages were increased 34.5 percent so that the living standard of most staff members and workers has actually been raised. The sizable price increases in 1980 as a result of price increases in subsidiary foodstuffs the previous year and the loss of control over the scope of commodities subject to negotiated prices caused considerable resentment among the masses. In 1982, the masses also reacted sharply against the serious problem occasioned by price increases in tobacco and alcoholic beverages, random price increases and price increases under false pretences which occurred toward the end of the previous year. During these 2 years, the State Council, by promptly issuing warnings concerning its determination to overhaul the system of negotiated prices, to control prices and to put the power of increasing the prices of retail commodities in the hands of the central government, was able to slow down the inflationary trend. The most basic among the factors which helped to stabilize market prices during this period was the achievement of an overall balance of the macro-economy, the development of industrial and agricultural production, the balancing of the budget and the achievement of a basic balance between credit loan incomes and expenditures. At the same time, on the basis of the financial and economic situation prevailing in the nation and the need to maintain the basic stability of commodity prices, it was found necessary to readjust at different times and in different groups the glaringly unreasonable prices of a few commodities, to strengthen the work of checking and supervising prices, to put a stop to the practice of increasing prices at will and under false pretences and to wage an unrelenting struggle against activities that were in violation of pricing regulations.

Despite the considerable headway made in the work of pricing since the 3d Plenum of the 11th CPC Central Committee, only certain preliminary reforms, generally speaking, have been made in the past few years in the unreasonable pricing system and methods of control. In view of their wide repercussions, their complexity and the limited financial resources of the state, overall pricing reforms are only in their preparatory stage and have yet to be fully operative. For this reason, many pricing problems continue to exist which do not serve to promote the production and exchange of commodities or the achievement of the strategic objective of quadrupling the annual gross industrial and agricultural production value by the end of the century. The major shortcomings in the pricing structure are: the price parities between certain major industrial and agricultural products have yet to reach a degree of equity; the continued existence of problems arising from unreasonable prices among many trades and businesses has created a wide and inequitable gap in the levels of profits made by the different enterprises so that it is difficult to organize production and circulation according to a plan, to introduce economic reforms and to put into practice the economic responsibility system among the enterprises; with the development of agricultural production, the increasing

proportion of agricultural products purchased above the quota and at higher negotiated prices and the continual increase in the actual purchasing prices of agricultural products have intensified the problem caused by the widening gap between purchasing and selling prices; the amount of subsidies paid for the price differential has greatly increased the financial burden of the state; the existing price control measures, including that of pricing domestic and imported commodities, must be properly readjusted. In view of the existence of certain unstable factors in market prices and the resentment occasioned by price increases among the masses, the task of maintaining the basic stability of commodity prices is beset with difficulties. All these are emerging problems or new problems which have appeared under new circumstances even though the economic situation is generally favorable. They must be solved by the gradual reform of the pricing system and price control measures.

Looking back to the past and forward to the future, we are confident of our ability to deal properly with the work of pricing, to engage in modernization construction projects and to establish a powerful socialist nation that is highly democratic and civilized. Let us hope that in the process of making a breakthrough, we shall continue to make new gains in our work of pricing.

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## FINANCE AND BANKING

### EARLY COMPLETION OF GUANGDONG FINANCIAL PROJECT REPORTED

Guangzhou NANFANG RIBAO in Chinese 18 Dec 84 p 1

[Article by Li Sensheng [2621 2773 4141]: "Early Completion of 1984 Financial Revenue Project Throughout Guangdong by 20 Days"]

[Text] According to the statistics published by the provincial finance bureau, up to 10 December, financial revenues collected in the whole province of Guangdong reached 4,478,000,000 yuan, representing an overfulfillment of the budgetary target of 4.46 billion yuan of financial revenues for 1984 passed by the provincial people's congress by 0.4 percent and a completion of the collection ahead of schedule by 20 days. Compared with the same period in 1983, the increase was 403 million yuan and the growth 9.89 percent.

Since 1984, all areas and departments in Guangdong under the leadership of the provincial party committee and the provincial people's government have been adhering to the principle of opening Guangdong to the outside world and vitalizing the economy within the province to make production grow steadily, the market active and tertiary industry vigorously develop, thus providing the state financial revenue with a vast source. The 14 cities and localities through Guangdong which have completed the 1984 financial revenue project ahead of schedule with an overfulfillment of the target include Shenzhen City, Zhuhai City, Hainan Administrative District, Hainan Li-Miao Autonomous Prefecture, Shaoguan City, Maoming City and the Meixian area.

In the past year, the economic departments at all levels in Guangdong have paid attention to strengthening administration and management and, as a result, have made a fairly impressive achievement in improving economic results and making up deficits and increasing surpluses. The statistics show that during the period from January through November the state-operated industrial enterprises throughout Guangdong placed under financial and budgetary management had a 10.38 percent increase in value of output, a 9.15 percent increase in revenue from sales, a 10.94 percent increase in materialized profit and a 21.37 percent decrease in the amount of loss suffered by some enterprises.

In the past year, party committees and people's governments at all levels also enhanced their leadership over taxation to make it fully play its role as an economic lever. Up to 10 December, the collection of industrial and commercial

taxes throughout Guangdong had completed the 1984 revenue project with a 6.82 percent overfulfillment of the target, representing a 16.51 percent increase over the same period of 1983.

The financial revenue throughout Guangdong is better in 1984, but it is not as balanced as it should. Some areas have more financial difficulty because their economies have not developed fast enough, while the economic results attained by some enterprises are not as good as expected, thus not having accomplished the mission of making up deficits and increasing surpluses for the whole province. However, all places are making persistent efforts and vigorously organizing revenues to strive to achieve a larger overfulfillment of the financial revenue target.

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4 April 1985

## FINANCE AND BANKING

## CONCENTRATION OF FINANCIAL RESOURCES VIEWED

HK110820 GUANGMING RIBAO in Chinese 3 Mar 85 p 3

[Article by Gong Wen [1362 2429]: "Concentrate Financial Resources to Guarantee Reforms"]

[Text] The party central leadership and the State Council put forward a catchphrase for the price reform and wage reform: "Be prudent in the initial stage and be sure to win success." In order to ensure the success in reform, we should concentrate a considerable quantity of financial resources in the hands of the state to guarantee the smooth handling of the price reform and the wage reform.

Price reform and wage reform must be supported by certain financial resources. Price reform will mainly solve the problems concerning the unreasonable price parities. However, as the purchase prices for some agricultural, mineral, and sideline products are raised, the selling prices for some consumer goods will be affected because the rise in the costs of raw materials cannot all be borne by the processing industries. This then requires the state to provide subsidies in various forms in order to ensure that the real incomes of the people will not reduce as a result of the readjustment of prices. The main purpose of the wage reform is to smooth out wage relations and to establish a new wage system. To solve these issues, the state must also have sufficient money in its hands. It will be hard to carry out any reform if the state does not have sufficient financial resources.

The present economic situation in our country is excellent. Industrial and agricultural production developed rather rapidly in 1984 and achieved good economic results. At the same time, the state's revenue also increased correspondingly. This has provided a favorable condition for reform. We should grasp this favorable opportunity and concentrate part of our financial resources, at least part of newly increased revenue, mainly on supporting reform. Therefore, we should now control the size of investment in fixed assets, the issuance of credit funds, and the growth in the consumption funds. The control over the investment in fixed assets and over the issuance of credit funds is likely to affect the economic growth rate for a time. However, if we make the price and wage reforms a success and thus ensure the smooth development



of the overall reform, the economy will grow even more quickly in the future, our economic results will become even better, and the people will gain more real benefits. If we do not give consideration to the needs of the ongoing economic reform but just seek high growth rate from the one-sided viewpoint, thus scattering the state's financial resources, our long-term economic development will suffer even if we may quicken the present pace.

By controlling the consumption funds, we do not mean that we are not going to improve the people's livelihood. What we should do is to check the reckless issuance of bonuses in cash or in kind so that we may have more financial resources for the wage reform. We must avoid the swelling of the consumption funds before wage reform. The excessive swelling of the consumption funds under the unreasonable wage system will not bring good economic results to society. Although people in the departments and units which issue excessive bonuses may greatly benefit, workers in the departments and units whose wage levels are on the low side and whose bonuses are less will see their economic interests being harmed. This will also fuel the irregularities in new forms and will corrupt the people's minds. More seriously, if we use up the money which can support our wage reform in advance, we will not only find it hard to carry out the wage reform, but the whole process of the economic structural reform will also be set back.

All departments and units and the people throughout the country should realize that reform of the economic structure is the central link of our present economic work and that we must concentrate sufficient financial resources in the hands of the state rather than scatter them in order to ensure the smooth development of the economic reform. All of them should make contributions to this.

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4 April 1985

## FINANCE AND BANKING

## COMPLETE REFORM OF CHINA'S FINANCIAL SYSTEM URGED

Shanghai SHIJIE JINGJI DAOBAO [WORLD ECONOMIC HERALD] in Chinese 3 Dec 84 p 9

[Article by Yang Hongjun [2799 4746 6511]: "Completely Reform China's Financial System; Transform Centralized Management of the Flow of Funds into Multi-Level Management, Transform the Unitary Flow of Funds into Diverse Forms, Transform Simple Financial Tools into Diversified Financial Tools"]

[Text] In China's economic construction, there are noticeable gaps between the supply and demand of funds. The domestic flow of funds in China, whether in speed, scale or quantity, cannot suit the needs of reforming the economic system and economic development. For this reason, it is necessary to improve the current financial system starting with the following areas:

1. Transform centralized management of the flow of funds into multi-level management. First, through financial accumulation with planning and using some of the bank deposits, the state can give preferential guarantee to funds needed for key construction projects and the construction of those basic facilities which require large investment but are slow in results and indispensable to development of the national economy. Under this prerequisite, the state should ease the limits of control over the flow of funds and permit all regions, enterprises and individuals to allocate and use their own funds according to market needs and determine their own course of investment. For the use of these funds, state financial management departments only need to specify their general direction, provide information services, and coordinate and maintain balance from the macro standpoint.

2. Transform the unitary flow of funds into diverse forms. In order to achieve this, in theory and practice we must break free from the financial capital model that "all credits must be concentrated in banks, all loans must be handled through banks" and give full play to the positive role of state credit, commercial credit and consumer credit. We can also consider setting up collective, local, trade and other non-bank types of financial organizations in cities similar to rural credit cooperatives, forming a new type of socialist financial system with the central banks as its axle, small and medium-sized specialized banks as its principal part, and investment companies, finance companies, insurance companies, clearing houses and note-exchange brokers associations as its assistants.

3. Transform simple financial tools into diversified financial tools. In order to suit diversified forms of the flow of funds, finance tools must also be diversified. Through markets the state can issue state treasury bonds and government bonds to collect funds for key construction projects and the construction of public facilities in order to compensate for the deficiency of financial accumulation. By issuing enterprise stocks and bonds, enterprises can also further absorb the currency retained by people in the form of currency holding and spend it on production construction projects which require little investment, produce quick results and yield big profits in order to compensate for the limitations of short-term and the inadequate number of bank loans. This may cause enterprises and the state to compete with banks for funds, but along with changes in the structure of consumption and big increases in savings and currency to be purchased, with the exception that some of this portion of currency will be deposited in banks, a considerable part will become cash holding among the people. If we make use of investment by shares and require the object of investment to provide some of the commodities in short supply or if some employment opportunities are arranged for fund-raisers, it may be possible to attract these funds which will generally increase the flow volume of funds in society. Diversified financial assets compared to unitary financial assets, diverse forms of earnings compared to unitary form of earnings, and high earnings compared to low earnings are even more beneficial to encouraging fund accumulation within the scope of society.

In short, in the domestic flow of funds in China, many ways of doing things have actually already broken free from the restraints of traditional theories. Complete reform of the financial system is inevitable.

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## FINANCE AND BANKING

### SYMPOSIUM ON FINANCIAL REFORM URGES INVIGORATION OF BANKS

Shanghai SHIJIE JINGJI DAobao [WORLD ECONOMIC HERALD] in Chinese 3 Dec 84 p 9

[Article: "Uninvigorated Banks Will Inevitably Affect the Momentum of Reform; Liaoning Finance Association Proposes To Break Free from Sole Management; Banks Must Become True Economic Entities, Build Money Markets, Practice Floating Interest Rates"]

[Text] Recently the Liaoning Finance Association held a symposium on the question of financial reform. The symposium maintained that the current banking system is far from being able to suit the intensification of reform of the urban economic system and that failure to invigorate banks will inevitably affect the momentum of economic reform.

The participants held that the people's banks and various specialized banks have formed their own systems with an excessively elaborate and rigid division of work which is not conducive to competition and invigoration. They believe that banks must break free from sole management and should permit the simultaneous existence of state-operated, collective and individual financial organizations to supplement one another just like other industrial and commercial enterprises. At present, there are already three collective finance enterprises in Shenyang and rural private lending is also very active. These collective and individual financial activities have objectively satisfied some of society's needs for funds and are conducive to giving impetus to economic development. The leadership role of central banks will be safeguarded only if the people's banks uphold the principle of unified and centralized currency issuing, loan planning and interest rate levels.

The participants noted that the management system within and among banks should be reformed. Banks should become real economic entities. Economic relations among different levels within a bank must be clear. Planned control over the allocation of bank funds should be changed to control by economic entities; current management of planned quotas must be changed to management of actual deposits and actual loans in order to compel banks at all levels to stress economic results. In using funds from retained profits, banks should have the authority to allocate independently according to specific ratios. At the same time that we establish the system of economic responsibility, we should practice floating wages, post subsidies and job subsidies in order to mobilize their enthusiasm.

The participants believe that current commodity production is undergoing unprecedented growth and that lateral economic connections between enterprises and regions are increasingly close. This demands that we have lateral financial relations as well as compatible money markets and financial centers of key cities. Banks must expand their scope of business and extensively develop businesses in sales on credit, commissioned sales, discounts on promissory notes, mortgage loans and timed payments. All specialized banks can concurrently operate multiple businesses and compete with each other. We must break free from the unitary bank credits and supplement them with multiple forms of credit, actively issue stocks and bonds in order to speed up the collection of funds and make use of economic means to provide guidance. The funds of specialized banks in key cities may be linked laterally and regulated for use.

The participants suggested that to suit the needs of reform of the urban economic system, banks can practice floating and differentiated interest rates, give preferential loans to technological transformation and the trial manufacturing of new products, and give low-interest loans to enterprises that produce high-quality and brand name products.

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## FINANCE AND BANKING

## BEIJING READER CRITICIZES ROLE OF CHINA'S BANKS

Shanghai SHIJIE JINGJI DAOBAO [WORLD ECONOMIC HERALD] in Chinese 3 Dec 84 p 1

[Article by Ding Ningning [0002 1380 1380]: "Beijing Reader Ding Ningning Sharply Points Out That China's Banks Are Not Real Banks; Unity of Financial Capital and Industrial Capital Is a Feature of Large Modern Socialist Production; Anyone Who Truly Wishes To Engage In Socialism Has No Reason To Be Afraid of It"]

[Text] For many years our banks have played a subordinate role to finance. In a certain sense they are not real banks but the pockets of finance. This is not normal from the Marxist-Leninist standpoint. If banks cannot truly become the bookkeepers of the whole society, where do we get socialized production? Yet this is how things stand. The fixed assets of our enterprises are in fact the private property of finance and they only pass through the hands of banks when they are created or liquidated. Normally banks do not have the authority to supervise the activities of fixed assets. How can we talk about economic results with this method of management?

Is it not true that some of our comrades always like to talk about correspondence between funds and materials? Bank funds do not correspond precisely to fixed assets. This is because some of our comrades do not conceive of fixed assets as commodities. Such funds which correspond only to personal savings and circulating assets are not stable. Therefore, even though it is compared with foreign countries, China's economy is simply a super-stable structure while banks are frequently troubled by the withdrawal of currency from circulation. In order that China's finance industry may have a solid base, we must link the funds and real property of banks through the stock market and discount trade. The unity of financial capital and industrial capital is a feature of the highest stage of capitalism and is also a feature of further socialization of production. Anyone who truly wishes to engage in socialism has no reason to be afraid of it.

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FINANCE AND BANKING

BANK TO PROVIDE LOANS FOR RESIDENCES

Haikou HAINAN RIBAO in Chinese 8 Nov 84 p 1

[Text] To promote housing projects in cities and towns, the Hainan Branch of the China People's Construction Bank has decided to start handling savings and loans for building and purchase of houses on 7 November. According to the relevant regulations, all enterprises, public agencies, government offices and civil organizations which have been approved by the departments concerned to build and buy residences and rebuild or expand buildings in Haikou City and all county towns of the Han District and which have opened a savings account with the bank's branch office at their localities with a balance equivalent to 30 percent of the total cost of the building, purchase, rebuilding or expansion of a house, and residents, staffers and workers and cadres having been officially registered as permanent residents of their cities and towns, and residents of Hong Kong and Macao and overseas Chinese who have opened a savings account with the bank's branch office at their localities with a balance equivalent to 50 percent of the total cost of the building, purchase, rebuilding or expansion of a house are eligible to obtain a loan from the bank when their own funds are insufficient for the project. The term of the loan ranges from 1 to 4 years and the bank charges a monthly interest on personal loans at a rate of 0.42 percent for 1-year, 0.48 percent for 2 years, 0.54 percent for 3 years and 0.60 percent for 4 years but only on the unpaid balance. The monthly interest rate of loans made to those units is lower. Starting 1 October, the Haikou City Branch of the Industrial and Commercial Bank also handles deposits and loans for building, purchasing and repairing houses. Loans are made mainly to two types of borrowers: one is social groups, with all units engaged in commodity housing projects and all government offices, enterprises and public agencies planning to build, buy or repair living quarters which have deposited in the bank funds raised by themselves, anticipate business proceeds or appropriations after the building or purchase of living quarters is completed and are capable to make payments against the loan being eligible to obtain a loan from the bank to make up the insufficient portion of the funds needed for the project, with term of the loan ranging from 1 to 6 years and the interest being charged by the month at a rate of 0.60 percent. The other is an individual staffer, worker or resident, with all staffers, workers and residents who hold an official residence registration issued by the Haikou City Government and need a loan for building, purchasing or repairing a house having to first make a deposit of an amount equivalent to at least one-third of the amount of the loan in bank and having a guarantee issued by their employers. The term of the loan ranges from 1 to 5 years and the interest is charged by the month during the 5-year period at a rate of 0.66 percent.

FINANCE AND BANKING

HUBEI TO HOLD PROVINCE-WIDE AUDIT TO CHECK ABUSES

Wuhan HUBEI RIBAO in Chinese 29 Nov 84 p 2

[Text] To further straighten out the common practice of the party and the general mood of society, enforce financial and economic disciplines and ensure a balance between financial revenues and expenditures, the Hubei Provincial People's Government has decided to unfold an overall financial examination in the whole province on 20 November this year through March 1985.

Contents and key points of this examination are whether or not tax evasion, outstanding tax payment and reduction or exemption of tax payment in violation of the state regulations exist, whether or not there are situations in which the cost is unduly charged and recorded, whether or not there are interceptions and delays of payments due, making of fraudulent applications and claims and falsification and deception, whether or not there are budgeted revenues accounted as unbudgeted and unbudgeted expenditures as budgeted and public enterprises converted to collective enterprises, big "public" to small "public" and a "small cash box" is privately established, and whether or not there are extravagance and waste, spending of the state resources and funds without restraint, corruption and embezzlement and offering and accepting of bribes. Major targets of the examination are the state administrative and public agencies, state-operated enterprises in the localities and collective enterprises. The examination will focus on large institutions dealing with taxation and profit-sharing or suffering business losses, enterprises which are closed, suspended or placed under a lower administrative level and units which seriously violate financial and economic disciplines. Problems uncovered by the examination will be solemnly treated on the basis of the state's ongoing policies, regulations and systems. The treatment of the problems which are discovered by the examined units themselves may be duly lenient. Enterprises which find and report their unreported profits themselves are to be turned over to the state in the full amount when discovered.

In order to assist and supervise all districts, cities and autonomous regions in making a good job of the examination, the provincial people's government has transferred 45 cadres from the related department directly under its jurisdiction to form 10 inspection teams which were called to a meeting on 19 November and will be sent separately to various places before the 26th.

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## FINANCE AND BANKING

### GUANGZHOU PEASANTS REPORTED ENGAGING IN TERTIARY INDUSTRY

Guangzhou GUANGZHOU RIBAO in Chinese 21 Nov 84 p 1

[Article by Zhang Yongxi [1728 3057 3556] and Pan Senlun [3382 2773 0243]:  
"Guangzhou Peasants Pooling Over 200 Million Yuan To Run Tertiary Industry"]

[Text] Guangzhou peasants have enthusiastically pooled funds to develop tertiary industries. In the past 3 years, various districts and townships have pooled a total of over 225 million yuan to open more than 1,770 restaurants, hotels, department stores, warehouses, wharfs, depositories and parking lots hiring more than 40,000 employees in Guangzhou and medium-sized and small cities and towns. Meanwhile, nearly 30,000 specialized households are engaged in commercial service trades. At present, Guangzhou has topped all major cities in China in both the number and scale of the tertiary industries opened by peasants.

Tertiary industries operated with funds pooled by peasants are a product of Guangzhou peasants who emancipated their minds and determined to reform vigorously after the Third Plenum of the 11th Central Committee.

In 1979, Nonglin Township of Shahe District and Xiushui Township of Hedong District in suburban Guangzhou opened a hotel and a restaurant, respectively, in Guangzhou City, which are the first such businesses managed by peasants, thus breaking the old rules that peasants are not permitted to be engaged in business and setting a precedent for peasants entering the city to run tertiary industries. Since then, commercial service trades in Guangzhou run by peasants from the countryside have actively grown like spring bamboo shoots after rain. Peasants from various areas in suburban Guangzhou have opened as many as some 450 service businesses in Guangzhou City; of these more than 20 are hotels of a fairly good size (about 4,000 fixed and 1,000 mobile beds) and over 289 restaurants (over 20,000 seats), 98 department stores and shops, 38 wharfs and 19 parking lots. At present, the newly established service trades run by peasants from the countryside are developing in the direction of large-scale, high-level and comprehensive businesses. For example, the Jiangnan Building in the suburban area now under construction, the Dongcheng and Dengfeng hotels in Shahe District and the Xijiao Hotel in Shijing District are designed to be more than 20 stories high and run comprehensive businesses, such as hotel, restaurant, shopping center and taxi and car rental.

While entering big cities to operate tertiary industries, peasants of various counties in Guangzhou City have pooled funds to expand tertiary industries to various county towns and medium-sized and small towns, thus promoting prosperity in them. Sansha Township of Shiji District of Panyu County has pooled funds to run a joint venture with Shijiao Town. It is the Shayuan Restaurant at Shijiao which has suites, dining room, ice cream parlor, coffee shop and shopping arcade. The suites are air-conditioned and equipped with color television. The restaurant is comparable with the Panyu Guest House and the Yushan Hotel. Peasants of that county also have opened many shops and restaurants in Dagang, Dashi and Hualong towns. Peasants of various districts and townships of Qingyuan County are collectively running 27 restaurants in the county town. Dishes prepared with local light brown chickens and dark geese are well received by their customers.

The rise of tertiary industries run by Guangzhou peasants have played an impressive role as a promoter to the development of new fair towns in the rural area of this municipality. Nansha Fair Town, the site of the former district administration, which is located in the Nansha District which has a vast sand field in the southern border area of Panyu County, had only one small, shabby street in the past, but it has now become a new fair town with many shops after peasants opened shops, restaurants, depositories and fairs in it in recent years.

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4 April 1985

## FINANCING AND BANKING

## UNDERSTANDING PLANNED COMMODITY ECONOMY (1985)

Guangzhou GUANGZHOU REPORT (1985) 1985-13-14

[Article by Zhuo Jiong (0587 3515): "How To Understand Planned Commodity Economy"]

[Text] The "Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure" explicitly points out, "The socialist planned economy is a planned commodity economy based on public ownership, in which the law of value must be consciously followed and applied." What is the ideological basis from which this statement is originated? Now, we can clearly see that for a long time we have misunderstood the Marxist political economy which is described by Marx in his "Critique of the Gotha Program": "In a collective society built on the basis that the means of production are mutually owned, producers do not exchange their own products among themselves and their labor spent on the production does not manifest either the value of these products or the certain material property possessed by these products." The basic spirit of this statement made by Marx lies in explaining that this type of value does not manifest that it possesses a certain material property. Specifically speaking, the material property referred here should be the property of gold. If this statement is not comprehended this way, Marx would be self-contradictory in another statement which he made in the third volume of "Capital": "Under the circumstances in which social production still exists even after the elimination of the capitalist form of production, the determination of value continues to play its role in allocation in the following sense: the regulation of the time of labor and the distribution of social labor among various types of production and, eventually, the bookkeeping related to them will be more important than that of any time in the past." The determination of value referred here means the substance of value. However, under the socialist system, this substance of value is not necessarily manifested by gold. China's RMB, therefore, does not manifest its material property by gold. We may make a further study on this topic. In the "Theory of Surplus Value," Marx made two statements as follows:

First, "This type of productivity is based on relative productivity, which means that a worker not only makes up for the original value but also creates new value. The materialized labor times spent on production is more than that spent on producing that which he needs to maintain his living as a worker. This type of wage labor for production is exactly the basis on which capital exists."

Second, "However, supposing no capital is existent at all and the worker himself owns his own surplus labor, the value created by him exceeds the surplus of the labor which he expended. Only in this situation can the labor of this type of worker be said to be productive, which also means that it creates new value."

Of these two statements, Marx referred in one to the capitalist system and in the other to the noncapitalist system which also means the socialist system. The concept of "new value" is applied in different situations and this new value also means surplus value, thus, we can see that surplus value exists in both capitalism and socialism, but these two kinds of surplus value are distinguished by their different characters. The surplus value of the former belongs to labor without compensation ("Surplus labor is a fixed form of labor without compensation") while that of the latter means "the worker owns his own surplus labor."

Surplus value appears only under conditions when a commodity economy is in operation, as only surplus products or surplus labor, not surplus value, would appear otherwise. Hence, it is a misunderstanding that we comprehend socialist economy to be a natural economy or a product economy. Now is the time for us to clarify this misunderstanding. Since we recognize commodity economy, it is a natural tendency for us to recognize the existence of surplus value. The CPC has proved itself to be a Marxist political party as it dares to break free from all unscientific traditional concepts.

Commodity economy is decided by social division of labor. Marx clearly pointed out, "After the division of labor is established, the exchange value of a commodity which belongs to a certain person is manifested in other people's commodities which this person can buy as well as in the amount of other people's labor and that the amount of their labor is equal to the amount of his labor contained in his own commodity." Commodity economy is such a kind of economy and has no other meaning. Due to the different ownerships, commodity economy remains the same whether it be in the capitalist system or the socialist system. However, also due to the different ownerships, some phenomena are derived therefrom, such as that the distinction between capitalism and socialism lies in whether or not exploitation exists, whether or not the laboring people are the masters, what purpose the production serves, who owns the surplus value and how the law of value plays its role. Under the capitalist system, the law of value plays its role unchecked and spontaneously. This type of commodity economy may be called unplanned commodity economy. Under the socialist system, people have entered the realm of freedom from the realm of necessity and can consciously apply the law of value to develop commodity economy. This type of commodity economy may be called planned commodity economy.

Thus, planned commodity economy is also a commodity economy in which the law of value is consciously applied.

As clearly pointed out in the report issued by the 12th Central Committee, whether mandatory planning or guided planning is adopted, we have to try our

best to make it objective and accord with reality, always study the changes in the relation between market supply and demand, and consciously use the law of value and apply pricing, taxation, credit and other economic levers to guide enterprises to fulfill the requirements made for them by the state plans and to give them maneuverability in various degrees in order to enable the plans to get timely necessary supplements and improvements while being implemented. As to varieties of small articles of daily use, it is neither necessary nor possible for the state to control them with plans; instead, the state should let enterprises flexibly arrange their production in accordance with changes in the relation between market supply and demand and the law of value spontaneously to regulate production. Such spontaneous regulation is permitted to exist by the planned commodity economy as it is also a form of manifestation for the conscious application of the law of value because it does not alter the essence of the planned commodity economy. Guangdong dealing with the negotiation of commodity prices is an example of such a form of manifestation. Why must commodity price be negotiated? It is because the original list price of the commodity has departed from the value of the commodity and caused production to be restricted, thus generating a situation in which the commodity carries a price but has no market. Price negotiation is aimed at making the commodity's price accord with its value. At the beginning, as a result of demand exceeding supply, the price of a commodity through negotiation is bound to go up somewhat, but it starts to decline as soon as production is developed and supply and demand are balanced and will gradually bring itself more in line with value. At this point, the problem is how to prevent supply exceeding demand as it will infringe on the interests of the commodity producers. To solve this problem, we need to intensify planned guidance and prevent unchecked production, because the basic requirement of the law of value is to proportionately distribute social labor to all production fields of different natures. As long as this goal is achieved, it is a planned economy as well as planned commodity economy. In the past, it was a mistake to place the concepts of planned economy and commodity economy in opposition to one another. Commodity economy is a type of economy, while planning is only a basic feature of an economy. The planned economy of the past was essentially a type of planned product economy. It goes without saying that the product economy rejects the law of value and has the demerits of lacking economic results and causing waste.

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## FINANCE AND BANKING

## BRIEFS

NEI MONGGOL DEPOSIT INCREASE--According to statistics compiled at the end of 1984, the regional saving deposits of both urban and rural people reached more than 2.18 billion yuan, a 540-million yuan and 24.6-percent increase over the 1983 figure. Of these deposits, the volume deposited by the urban people reached more than 1.46 billion yuan, a 400-million yuan and 37.59-percent increase over the 1983 figure, topping the previous peak. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 4 Mar 85 SK]

HEILONGJIANG URBAN SAVINGS--According to the data provided by the provincial industrial and commercial bank, the province's urban savings deposits and per capita savings in 1984 showed substantial increases over 1983. The net increase of savings deposits reached 931.49 million yuan, and the year-end balance was 3,844,390,000 yuan, an increase of 31.98 percent over 1983. By the end of 1984, per capita savings reached 267.1 yuan, an increase of 20.12 percent over 1983. [Excerpts] [Harbin HEILONGJIANG RIBAO in Chinese 7 Feb 85 p 2 SK]

CONSTRUCTION COMPANY EXPANSION--The China National Construction Engineering Corporation made a big stride in expanding business operations last year. Externally, it contracted two major projects amounting to US\$830 million in 1984. Internally, the corporation's eight engineering bureaus raised their total output value to 1.29 billion yuan last year, an increase of 23.6 percent over 1983. [Summary] [Beijing Domestic Service in Mandarin 1200 GMT 5 Mar 85 OW]

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## MINERAL RESOURCES

### RATIONAL DEVELOPMENT, USE OF CHINA'S BAUXITE RESOURCES

Beijing ZHONGGUO DIZHI [CHINA GEOLOGY] in Chinese No 12, 13 Dec 84 pp 16-18

[Article by Yuan Zongyi [5913 1350 0308], Center for Research on Geological Technology and Economics, Ministry of Geology and Mineral Resources]

[Text] Because bauxite is the primary raw material for the production of aluminum, an adequate supply must be guaranteed if the aluminum industry is to develop. Bauxite is also used in refractory materials, corundum capacitors, ceramics, and in other materials employed by the electronics industry. Bauxite thus plays a very important role in the economy of the Chinese people.

Because current production is not sufficient to meet the needs of China's economic development, bauxite must be imported each year. The need of China's developing national economy for aluminum is constantly increasing. Preliminary calculations indicate that by the year 2,000, China will require a total of approximately 100 million tons of bauxite. Such a supply could be assured, given China's currently established reserves. In terms of increasing the extraction-to-reserves ratio, we see that if China is to have the abundant and reliable supply of mineral resources required for vigorous economic development it will have to emphasize geological prospecting of bauxite reserves, combine exploration with technological and economic incentives, and assess the potential of new bauxite mines.

The distribution of bauxite resources is concentrated in the eastern half of China and extends in a belt from north to south. Depending on how they were formed, the deposits are classified as sedimentary, conglomerate, or red earth. The majority are sedimentary, accounting for 90 percent of all Chinese reserves, and most of these deposits range in scale from medium to large. The conglomerate and red-earth deposits are mostly of small to moderate size.

Industrial reserves comprise one-third of China's abundant bauxite resources; long-term reserves make up the remainder. Statistics from six provinces indicate that roughly one-third of these reserves have been explored in detail, and this work has provided a solid foundation for the accelerated development of the Chinese aluminum industry. However, we must also bear in mind that these reserves do not provide enough high-grade bauxite (aluminum/silicon ratio  $A/S > 7$ ). Since only roughly one-third of the deposits can be strip-mined, we see that the development of underground bauxite mines will be



essential in the long term. We must therefore surmount the technical difficulties in underground mining in order to meet the demands of the developing bauxite industry for raw materials. Since the founding of the PRC, industrial demands for aluminum have far outstripped the demand for other raw materials. During the First Five-Year Plan, the average annual increase in production had reached 33 percent after 3 years of regulation of the industry; in the 15 years between 1966 and 1980, the growth rate approached 10 percent. The construction of aluminum mines in China did much to guarantee the production of aluminum oxide. Since 1954, aluminum mining has increased on a large scale, primarily through the development of strip mining, and the equipment mechanization rate approached 80 percent; however, because of technical difficulties underground mining remains in the test stage as far as industrial production is concerned.

China now has four industrial bases for aluminum in Shandong, Zhengzhou, Guizhou, and Shanxi Provinces; there are nine mines in production, four aluminum oxide plants, and 30 aluminum electrolysis plants of all sizes.

Although China's aluminum industry is developing quite rapidly, the present growth rate and production conditions are far below the levels needed for national economic development. Per capita consumption of aluminum is only 0.5 kilograms, which is much less than in the developed aluminum-producing countries (e.g., 26 kilograms and 22 kilograms in 1980 for the United States and West Germany, respectively). The ratio of aluminum to steel is also low, just 1 percent. China must therefore import metallic aluminum in order to satisfy critical production needs.

In addition to their interest in the exploration of bauxite resources, countries throughout the world have recently laid great stress on the comprehensive assessment of the economics of bauxite resources. Because the bauxite concentration process differs from that used for other metals, and because different processes are used to control the oxidation of aluminum depending on the grade of the ore, there is no single system of standards for assessing mining economics or criteria for judging technical and economic feasibility. The continued lack of unified guidelines had adversely affected progress in geological work. For this reason, it is of the utmost importance that standards for technical and economic evaluation be developed as quickly as possible which are suited to the specific nature of China's bauxite deposits (this is in addition to strengthening research on bauxite mineralization and finding more effective ways for discovering new deposits). Such guidelines will provide a better way to decide at an early stage where conditions are favorable for opening mines, so that hit-or-miss prospecting will be avoided. They will also aid in the identification of high-grade bauxite deposits and improve the economic profitability of geological prospecting work by increasing the probability that such work will lead to proven bauxite reserves.

We offer the following suggestions for the development and utilization of China's bauxite resources.

#### I. Find Oxidation Processes Suited to China's Low-grade Deposits

The present demands for energy and material resources and the problem of environmental pollution have produced a crisis of worldwide proportions. In this situation, one of the key tasks in the development of China's aluminum industry and in the economic and rational use of resources is to seek ways to conserve energy by developing economic and rational processing techniques which are adapted to the specific nature of China's bauxite deposits. Most of China's bauxite is in the form of diasporite, which is generally of low to moderate grade (A/S between 3.5 and 7); the ore is hard, poorly soluble, and difficult to abrade; the equilibrium solubilities are too low to permit oxidation by the Bayer process or by sintering.

The combined technique is China's only method for oxidizing aluminum; this method, which combines the advantages of the Bayer and sintering processes, requires little capital investment and is inexpensive to operate; it comes quite close to meeting China's need for an oxidation process suited to the nature of China's bauxite deposits. For example, if we assume a yearly aluminum oxide output of 400,000 tons from ore with A/S ratio equal to 5.12, replacement of the sintering method by the combined process would save 98,400 tons of coal and 18,800 tons of coke; in this age of increasing energy scarcity, the importance of such a method becomes even more apparent. Although the combined method is somewhat slower and technologically more complex, it provides a way for increasing the yield of  $Al_2O_3$ . Experience has shown that the recovery rate of  $Al_2O_3$  by the combined method can exceed 92 percent, and in terms of reduced consumption and total recovery rate this method has reached the world advanced level.

## II. Stress Recovery of Rare Metals During Processing

The principal element (aluminum) in China's bauxite deposits is also found in association with sizable amounts of gallium, vanadium, and scandium, and with lesser amounts of uranium, thorium, silver, tantalum, cobalt, chromium, and other rare metal resources. More than 90 percent of the world's gallium, e.g., comes from bauxite deposits; total reserves amount to 110,000 tons. Most of China's 50,000 tons of proven gallium reserves are of high grade and meet or exceed industrial requirements.

Some 65 percent of the gallium and vanadium associated with the oxidation control process is naturally incorporated in the alkaline bath and is relatively easy to recover; the remainder is converted into red earth and lost. Except for a few plants where the recovery of gallium has been addressed, these precious national resources are unfortunately being wasted.

Experimental analyses of bauxite from Guangxi Province, which is generally rich in scandium, have shown that after washing in water the scandium content greatly exceeds the concentrations currently recovered outside China (0.002 to 0.005 percent); one can thus predict that if effective methods are found for recovering scandium from ordinary bauxite, China will have an absolute advantage in world scandium production, a fact which should not be lost on workers in this area.

The fourth industrial revolution is currently in full swing, and the demand for gallium is increasing at a rate of 6 percent annually. Computer chips

manufactured from gallium arsenide can increase operating speeds by an order of magnitude; long-distance transmission of electricity by superconducting niobium-gallium alloys can cut transmission power losses to almost zero. We expect that because of its important uses, metallic gallium will become an important commodity in the near future and reserves will be built up. The departments concerned with industrial development in China should give more attention to gallium recovery in their formulation of strategic policy.

### III. Importance of Comprehensive Development and Utilization of Paragenetic Minerals as a Means of Protecting Mineral Resources

The roofs and floors of China's bauxite mines generally contain solid, soft, and semi-soft clay resources. Many of the hard clays have excellent refractory properties and typically contain 30 - 50 percent  $Al_2O_3$ , 35 percent  $SiO_2$ , 0.5 - 2.5 percent  $Fe_2O_3$ . In addition to their extensive uses in the steel industry, these materials can be made quite plastic by treating them with abrasive powders of suitable composition; they can also be used as casting mould materials and as materials for the production of aluminum chloride. These clays cost as little as 150 - 200 yuan per ton, and if calcined and exported as mature products they could improve China's economic return. In order for China to use its resources comprehensively, it is very important to consider the above-mentioned resources simultaneously when developing new bauxite mines. However, Chinese methods for comprehensive resource utilization are presently far from adequate.

### IV. Accelerate Research on Comprehensive Utilization of Red Earth

Red earth is a byproduct of aluminum oxidation. According to current calculations of aluminum oxide production capacity, upwards of a million tons of red earth is generated annually and discarded in piles, where it pollutes the environment. The valuable elements which these earths contain are thus not recovered effectively.

Results have been achieved in research on red earth. For example, some plants have been using red earth to manufacture cement for many years, and silicon-calcium compound fertilizers produced from red earth are now being used effectively in agriculture. Progress is also being made in manufacturing bricks and plastics from red earth. However, we must not lose sight of the fact that we still lag the West considerably in research on the recovery of valuable elements from red earth. In the future, we must emphasize research on the distribution of valuable elements in red earth, on the effective processing and comprehensive utilization of red earth, and on methods for reducing pollution and maximizing benefits.

### V. Strengthen Research on Bauxite Mineral Concentration and on Effective Use of Low-grade Bauxite Resources

As rich aluminum resources have dwindled, the conflicting problems associated with China's use of low-grade bauxite resources have become more acute. These problems can be solved only by seeking highly efficient methods for ore concentration.

The purpose of bauxite ore concentration is to eliminate part of the silicon-containing ore so as to improve the grade of the bauxite.

Numerous work groups have become involved since China began doing research on bauxite ore concentration in the early 1970's, and gratifying success has been achieved in this area. This research demonstrates that flotation methods can be used to separate diaspore from silicon-containing minerals and to increase the A/S ratio of the concentrate. For example, the Henan Office of the Department of Geology and Mining conducted small-scale ore-concentration experiments on Henan Jiagou bauxite with A/S ratio equal to 5.53. The results indicated that high-grade aluminum concentrates with A/S =10.4 and an 88.9 percent  $\text{Al}_2\text{O}_3$  recovery rate can be achieved. The Shenyang Magnesium Planning Institute has carried out numerous small-scale and semi-industrial experiments on bauxite from Liaoning, Henan, and Shanxi, the results of which show that flotation can increase the relative concentration of diaspore and raise the A/S ratio significantly (from 4.88 to 10.48), thereby succeeding in improving the grade of the ore. This ore concentration technique has also been tested in production at the Zhengzhou aluminum plant.

The experiments in the concentration methods needed to recover China's low-grade bauxite deposits have been generally successful and research is on the right track. This work has opened up new avenues for the effective utilization of China's bauxite resources.

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## MINERAL RESOURCES

### CHINA'S GEOLOGICAL WORK ADVANCES RAPIDLY

Beijing GUANGMING RIBAO in Chinese 22 Aug 84 p 2

[Article by Sun Daguang [1327 1129 0142] Minister of Geology and Mineral Resources: "China's Rapidly Advancing Geological Work"]

[Text] The PRC has been around for 35 years. During these years of national construction, its geological work has developed impressively, contributing significantly to socialist economic construction and national defense.

Over 3,000 years ago our diligent and intelligent ancestors had already begun to use mineral resources. However, under prolonged feudal rule, the pace of development was very slow. It was not until the 1911 Revolution and the introduction of modern science that the old China began to apply modern geology to geological surveys. On the eve of liberation there were only 299 geologists in the whole country, with not over 800 members on the geological survey teams. They undertook some ground surveys and sporadic prospecting for minerals. In 37 years only 18 kinds of minerals were found to have contained deposits.

The birth of the PRC opened a broad path for the development of geological work. In the early stages of the PRC, the Central People's Government immediately established the Geological Work Planning and Directing Commission to integrate scattered geological resources and projects. On the eve of the First 5-Year Plan, the state established the Ministry of Geology. Various industrial departments also set up geological units to meet their own needs. Subsequently, the 156 State priority construction projects initiated priority prospecting for over a dozen major mining areas such as the iron mines of Anshan, Dayeh, Baiyun Ebu and Xuanhua; the copper mines of Baiyinguang, Tonguanshan, Dong Chuan and Zhongtiaoshan; the tin mines of Gejin and the coal fields of Weibei and Huaibei. In 1956 a general survey of minerals on a national scale was conducted and this continued until the early 1960's when mineral deposits for national strategic need buildup were verified and their geological data provided. During the decade of civil strife, the vast numbers of geological workers persisted in field work despite all kinds of pressure, discovering every year many ore fields and verifying such mineral deposits as copper, aluminum, tungsten, molybdenum, gold, silver, etc. During that period a general survey of petroleum was also conducted in northern Jiangsu, East China Sea, South China Sea, Pearl River Delta, northern gulf area, etc.



The cheerful message of the Third Plenary Session of the 11th CPC Central Committee warmed the hearts of millions of people, providing geological work with a new lease of life. In the 5 subsequent years, a vast contingent of geological workers comprising many engineers and applying many branches of science joined the geological teams of many industrial departments in locating and establishing every known mineral base for promoting the four modernization drive throughout the vast fatherland. Over the past 5 years the areas covered by geological surveys equaled to one-half of the aggregate completed in the past 24 years, namely, 2.67 million square km by aeromagnetic survey flights, 430,000 square km by remote-sensing aerial surveys, 1.2 million square km by a regional geochemical sample survey on a 1/200,000 scale. Altogether 820 reports on the results of scientific research were submitted, including 169 items of major importance. Five national invention awards and 12 natural science awards were also won. Besides, 459 mineralization prospects plans and 360 regional planning research reports were submitted. In addition the following works were published: "Strata and Geodesic Structure of China," "Map of China's Structural System", "National Hydrogeological Map," "Geological Map of Tibetan Plateau" and other important works. With the extended application of service areas, geological prospecting for ores achieved significant results. Mineral prospecting increased from 50 to 90 and 629 new mining areas located, including 316 major and medium ones. The 684 new mining areas under survey have all made good progress. Drilling for industrial oil deposits undertaken in the Pearl River Delta basin near the South China Sea and the West Lake of the East China Sea has been successful, being important to the future prospecting for undersea oil and to guiding future prospecting and drilling. The general oil and gas survey conducted in northern Sichuan, Central China and northern Jiangsu has also been highly successful. In the past 5 years 2.34 million square km of hydrogeological surveys have been completed, with the report on distribution of subterranean water sources in Shanxi and on the eastern slope of Taihangshan supplying over 10 water source locations to the construction of Kengkou Electric Generating plant. In the eastern region, the prospects of finding nonferrous and precious metals have brightened. In many areas huge quantities of nonferrous metal mines have been found and extensively utilized. Altogether 15 of the 19 stockpiling tasks specified in the 5-Year Plan were fulfilled 2 years in advance. In the 5 years altogether 370 geological reports on mines have been prepared for possible use in planning and 53 percent of them have been used.

To sum up, the 5 years since the Third Plenary Session of the 11th CPC Central Committee were those identified with impressive advances in geological work. All the 150 known minerals in the world have been found in China, with 135 of them verified to have deposits. Among the 20 with verified deposits and ranked foremost in the world are: tungsten, tin, molybdenum, antimony, lead, zinc, mercury, iron, vanadium, titanium, sulphur, phosphorus, asbestos, graphite, fluorite, magnesia, etc. Looking into the future, the prospects of the PRC's geological work are bright. As long as we persist in reform and strive hard to do a good job in a down-to-earth manner, we will be able to make greater contributions toward tripling the gross value of industrial and agricultural output by the end of this century.

## MINERAL RESOURCES

### YUNNAN PRODUCES NONFERROUS METALS

Kunming YUNNAN RIBAO in Chinese 16 Aug 84 p 1

[Article: "Yunnan Is A Major Production Base for Nonferrous Metals"]

[Text] Yunnan, known as the "kingdom of nonferrous metals," has developed its nonferrous metal industry in the 35 years since liberation. In 1983 the gross output of the 10 nonferrous metals in Yunnan exceeded 120,000 tons, being about 60 times greater than 1949. In variety, nonferrous metals now include alloys, nonferrous metal products for use in the chemical industry etc., consisting of 31 categories in five major classifications and over 100 specifications. From 1950 to the end of last year, the nonferrous metal industry in Yunnan netted 2,598,700,000 yuan in profits after tax payment, being 112.46 percent of the total national investment.

On the eve of liberation Yunnan had only one fledgling nonferrous metal mine at Gejiu. After the PRC was founded the state invested over 2,311,000 yuan to reconstruct and expand old mines, having increased their productivity many times over. By now Yunnan's potential mining capacity is about 10 percent of the gross national capacity, being about 13.6 percent in screening capacity and exactly 14.2 percent in smelting capacity of the respective national levels.

In the course of developing the nonferrous metal industry, the effect of "left" thinking had seriously disrupted excavations and loss of excavatable resources. By 1978 the aggregate output of 10 nonferrous metals had dropped to just over 74,760 tons. After the Third Plenary Session of the 11th CPC Central Committee, the policy of "adjustment, reform, rectification and consolidation" was implemented, the "left" mistakes were sorted out and the excavation proportion was adjusted. Mining has left a vicious cycle to enter a new cycle of steady growth. In the first half of this year, the total nonferrous metal output exceeded 64,000 tons, being 12.1 percent over the same period last year.

Yunnan's scientific research in nonferrous metals has gained impressive advances. Over 1,200 professional scientific researchers work on the nonferrous metal front of Yunnan. Over the past 35 years, the technicians engaged in scientific research have been credited with over 1,000 scientific and technological innovations, with some of them close to advanced world levels.

## MINERAL RESOURCES

### BRIEFS

NEI MONGGOL GOLD PRODUCTION--The gold output of Nei Monggol Autonomous Region increased by 10.34 percent in 1984 over 1983 and the profits earned from gold output increased by 36 percent. Of this, the output of gold mined by localities increased by 17 percent over the previous year and accounted for 56 percent of the region's total output. [Summary] [Hohhot NEIMENGGU RIBAO in Chinese 22 Feb 85 p 1]

CSO: 4006/448

INDUSTRY

NATIONAL INDUSTRIAL PRODUCTION SHOWS NOVEMBER INCREASE

Beijing JINGJI RIBAO in Chinese 14 Dec 84 p 2

[Article: "November Industrial Production Continues to Maintain Good Trend"]

[Text] The situation report furnished by the concerned department indicates that in November our national industrial production clearly rose. Coal, electricity and oil production all increased over last month. The raw and processed materials and light textile and electronics industries maintained good momentum, and communications and transportation fulfilled the plan. The processing of agricultural byproducts entered the peak season. The gross industrial output value for the month attained the highest level in history.

Energy production substantially exceeded the plan. The entire country's average daily production of raw coal was 2.123 million tons, exceeding the plan by 107,000 tons. Included in this was the average daily production of coal from all the mines, 1.09 million tons, exceeding the plan by 45,000 tons. The average daily production of crude oil was 326,800 tons, surpassing the plan by 32,000 tons. The average daily amount of electricity generated reached 1.08 billion kilowatt-hours, which surpassed the plan by 80 million kilowatt-hours. However, the supply of electricity is still very tight.

The production of most light textile and raw and processed material products increased. The output of chemical fibers, paper and paperboard, iron ore, coke, caustic soda and the key enterprises bicycles, sewing machines, cigarettes, cement, plate glass, cars and tractors all increased over last month. Because steel and pig iron have already fulfilled the annual plan, they arranged to examine an increase in responsibilities, and so the output had a slight decline. Ammonia fertilizer entered the slack season for sales, sulphuric acid was influenced by the poor market for phosphate fertilizer, and output also declined. As for the problems that exist at present, one is the shortages of some raw and processed materials, and a second is the fact that the markets are still not open for such products as phosphate fertilizer and all-cotton cloth.

Communications and transportation fulfilled the plan. The average daily car loading for the railroads exceeded the plan by 298 loaded cars per day. The

volume of goods moved by water transport, also under the jurisdiction, exceeded the plan by 37,000 tons transported. But because of the increase in the rate of passenger flow, the construction of some routes was busy and some road bureaus were influenced by a cold wave. Transportation efficiency was not high. The average daily number of cars loaded was lower than last month. Cement, lumber, smelted goods and materials, agricultural byproducts, local speciality products and so on did not fulfill the transportation quota.

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## INDUSTRY

### ECONOMIC POLICY REFORMS SPUR ANHUI GROWTH

Hefei ANHUI RIBAO in Chinese 9 Dec 84 p 1

[Article by Tian Xuexiang [3944 1331 4382]: "Our Province Achieves Ahead of Schedule Annual Gross Industrial, Agricultural Output Value of More Than 30 Billion Yuan; This Year's Economic Situation Best Since 1979, Receives Praise of Leading Comrades"]

[Text] Under circumstances in which agriculture was hit by natural calamities and industrial energy was in short supply, Anhui Province this year achieved an annual gross industrial and agricultural output value exceeding 30 billion yuan, one year ahead of schedule. The gross output of grain exceeded 40 billion jin and the average income of village residents exceeded the desired objective of 300 yuan, receiving the praise of leading comrades of the central authorities.

The data furnished by the Statistics Bureau of Anhui Province state clearly that this year Anhui's economic situation is the best since 1979. Under circumstances in which 21 counties were hit by natural calamities last year and this year 30 million mu were affected, agriculture achieved an all-around good harvest. The gross output of grain could reach 42.1 billion jin and the gross agricultural output value reach 14 billion yuan, an increase of 10 percent over last year. As for enterprises of townships and towns that were consistently very weak, the rate of increase took a leap and entered the forefront of the entire country by doubling the rate for last year. This year the estimated gross output value of industry could reach 18 billion yuan, an increase of 12.4 percent over last year. The revenue estimate is more than 12 percent greater than that of last year. It is estimated that the average income of village residents for the entire province could reach approximately 350 yuan.

Since the 3d Plenary Session of the 11th Party Central Committee, Anhui Province has been the first in the entire country to implement the agricultural production responsibility system, and the development of agricultural production has been very rapid. After that, the Provincial CPC Committee and the Provincial People's Government applied the experience of rural reform of the urban economic system, and carried out the enterprise economic responsibility system fairly early compared to the rest of the country. And in taking advantage of foreign capital and imported technology, science education,

construction of small cities and towns, developing collective economies of townships and towns, business supply and marketing, tax revenue, city reform and capital construction, as well as establishing a forestry contract responsibility system and a large water surface contract responsibility system, protecting the lawful benefits of specialized households and other aspects, it successively made a series of provisions concerned with loosening control, simplifying government, invigorating, and relaxing restrictions, causing the entire province to display a new aspect to reform and promote economic development.

The initial success in the restructuring of the economic system poured new life into Anhui's economy. By November of this year the province as a whole had already fulfilled an industrial output value of more than 16.4 billion yuan, which exceeded the average level of the entire country and was a 14.2 percent increase over the same period last year. From January to October it realized a profit increase of 21.1 percent over the same period last year. The tax profits turned over to the higher authorities increased 17.1 percent, and the revenue from sales increased 13.6 percent. The number of township and town enterprises in the entire province has already grown to more than 260,000, a four-fold increase over last year, and the number of personnel engaged in industry reached 2.14 million, which constitutes 12.5 percent of the total rural labor force for the entire province. Through the end of November the revenue for the entire province had already essentially fulfilled the plan for the whole year, and the average rate of increase surpassed the level of increase in the gross industrial and agricultural output value.

Leaders of every level and the masses of Anhui Province, through the practice of reform, saw the economic potential of this province and were firm in their confidence that by the end of this century it will realize a quadrupling of the gross annual industrial and agricultural output value. The Provincial CPC Committee and the Provincial People's Government are resolved to further relax policies, exert themselves to get a good grasp of economic development in impoverished areas, put the restructuring of the urban economic system in good shape and in 1985 strive for even greater triumphs.

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CS0: 4006/305

## INDUSTRY

### ZHEJIANG INDUSTRIAL FRONT POSTS LARGE INCREASES

Hangzhou ZHEJIANG RIBAO in Chinese 18 Dec 84 p 1

[Article: "Our Province's Gross Industrial Output Value Achieves Goal of 'Sixth 5-Year' Plan Ahead of Schedule; January to November Achieve Gross Industrial Output Value of 29.7 Billion Yuan, 23.3 Percent Increase Over Same Period Last Year"]

[Text] Our province's industrial front expresses happy news to inspire the hearts of the people: from January to November the entire province fulfilled a gross industrial output value of 29,728 billion yuan, exceeding the annual plan by 4.7 percent and a 23.3 percent increase over the same period last year. It has already achieved, a year and 52 days ahead of schedule, the 1985 goal for gross industrial output value set by the "Sixth 5-Year" plan.

The industrial production situation of our province this year is the best of the last several years, and it is characterized by all-around, balanced, coordinated and large-scale increases. The entire province's 10 prefectures, cities and the first and second light industry, machine building, petrochemical, metallurgy, electronics, pharmaceutical and other principal industrial departments all fulfilled the year's plan one month early and exceeded the quota. The gross output value of light and heavy industry compared with the same period last year increased 24.4 percent and 21.5 percent, respectively. The increases for industries of the entire population, collectives and township systems were 15.8 percent, 33.6 percent and 44.1 percent, respectively.

That our province's industrial production is able to obtain these kinds of good results is mainly due to reforms in promoting production. Since this year, every prefecture and every department has revolved around the provisions related to expanded authority of the State Council, Provincial CCP Committee and the provincial government. It differs from loosening control in cadre management, the reward system, labor matters, production management, new product development and other aspects of "untying" enterprises, enhancing the vitality of enterprises and mobilizing the workers' enthusiasm for production. The provincial-level department responsible for industry, proceeding from the needs of the marketplace, added to the allocation a portion of energy sources and raw and processed materials, and organized increased production of a large quantity of products suitable to be sold to

satisfy the needs. Every area and every department, taking as the core high-quality products that are suitable to be sold to meet the needs, took the road of an alliance of enterprises, developed production and enabled these products to ensure a relatively high rate of increase. Comparing the months from January to November with the same period last year, electric refrigerators for household use increased 3.4 times, washing machines increased 1.1 times, electric fans and televisions increased an average of more than 80 percent and bicycles increased 20.8 percent. Chemical fibers, woolen goods, beer, cans, high quality aluminum goods for daily use and other products all had fairly large rates of increase. This year our province's economic and technological cooperation has had new developments in form and content. From a past dependence on agricultural byproducts to produce goods and materials, it has already switched development to launching technological cooperation. It has implemented investment-run plants and other forms to carry out an interflow of commodities: from an orientation toward doing things once or only for a short time to cooperating step by step in converting to a long-term, stable, reciprocal and cooperative relationship. At present our province has already established economic and technological cooperative relationships one after another with 27 provinces, cities and autonomous regions. According to statistics from the departments concerned, every region and department goes through many administrative levels, many channels and many kinds of cooperative efforts. In just the first half of this year the province has already been able to reach a total of goods and materials worth more than 185 million yuan, remedying insufficiencies of some raw and processed materials and energetically advancing the development of production. At the same time industrial departments of every level have regarded supporting the industry of townships and towns as an important aspect of accelerating our province's industrial development. They have adopted the methods of "taking the hull of products," "spreading out processing," "one whip management" and so on, allowing the industries of the people as a whole, collectives, and townships and towns to become closely integrated and help one another advance and rise together. The industries of places like Hangzhou, Ningbo, Shaoxing and some townships and towns have displayed production specialization, diversity of management and tendency toward integration of agriculture and industry. They have not only been able to produce 1,000 to 10,000 kinds of products, but also have more than 120 kinds of products to fill the gaps within the province. From January to November of this year the gross output value of township-run industries in the entire province showed a net increase of 1.644 billion yuan over the same period last year.

According to estimates of production rates, this year our province's gross industrial output value could, by a large margin, exceed the target of 30 billion yuan that the economic working conference of the entire province proposed be attempted and step up onto a new level. Since 1980 the gross industrial and agricultural output value has increased at an average annual rate of 12.6 percent, surpassing the anticipated increase rate of 7.2 percent. It appears as if a doubling of the gross industrial and agricultural output value for the province as a whole will be achieved ahead of schedule.

## INDUSTRY

### CONTINUED GROWTH IN BEIJING'S INDUSTRIAL PRODUCTION REPORTED

Beijing BEIJING RIBAO in Chinese Dec 7 84 p 1

[Article: "Beijing's Industrial Production Continues Growth in November; Annual Quota for Profits To Be Submitted to State Nearing Fulfillment"]

[Text] In November, Beijing's industrial production continued to grow; the annual quota for profits to be submitted to the state is near fulfillment.

According to the figures, a GVIO of 2.46 billion yuan has been accomplished, which is a 9.1 percent increase over the same period last year. Of the 100 major types of products, the annual quotas of 53 types have been fulfilled one month ahead of schedule. Since profits were changed to taxes, profits to be submitted to the state have been targeted at 1.47 billion yuan for 16 industrial general corporations. Between January and November, 1.46 billion yuan were received.

A large number of enterprises have tapped their production potential, actively readjusted the composition of products and increased the production of marketable products. The Beijing Heavy Electrical Machinery Plant has strived to increase the production of steam turbine generators, power generators and other products which are difficult to make, increasing the output value by tens of millions of yuan. With its output lower than last year, the Printing Machinery General Plant has vigorously increased the production of folio two-color presses which are urgently needed by consumers, increasing its output value by 3.3 million yuan. The Agricultural Machinery General Corporation has expanded its scope of service and produced harvesters, complete sets of feed-processing equipment and thermoelectric incubators. From January to November, its output value increased by 25 percent over last year.

Production capacity has been expanded by the import of advanced technology and equipment from abroad. The Beijing Medical Cryogenic Equipment Plant has imported the cryogenic chest production line and obvious economic results have been obtained since production began. This plant has completed the annual quota 3 months ahead of schedule, increasing its output value by more than 2.5 million yuan. A number of enterprises have already completed their annual production quotas ahead of schedule and they are actively organizing themselves to overfulfill production quotas and doing a good job in making production preparations for next year.



## INDUSTRY

### SPEEDY DEVELOPMENT OF SHANGHAI'S TERTIARY INDUSTRY URGED

Shanghai WENHUI BAO in Chinese 9 Dec 84 p 1

[Commentary: "Speed Up the Development of Shanghai's Tertiary Industry"]

[Text] Speeding up the development of its tertiary industry is an urgent task confronting Shanghai. Developing Shanghai's tertiary industry includes such traditional service trades as commerce, food, transportation, posts and telecommunications, and repair. It also includes developing nascent service trades such as information, consulting, advertising, tourism and technical services.

Shanghai's service trades were relatively developed in the 1950's. Owing to "leftist" influence, economic work after 1956 stressed production but ignored circulation and stressed industry but ignored services, putting undue emphasis on Shanghai's role as an industrial base. By overlooking the development of commerce, finance, communications, posts and telecommunications and various social services particularly during the period of the "Cultural Revolution," tertiary industry was severely damaged. Currently, Shanghai's tertiary industry is far from being capable of satisfying the growing needs of the people, and to varying degrees there are still problems in food, clothing, medical attention, transportation, daycare, housing and telephone service.

Shanghai is China's largest economic center and largest coastal port city. Its role and function in the national four modernizations program is very important. As a key city, Shanghai must give play to its multi-function role as a trade center, finance center, information center, S & T and cultural and education center. As a coastal port city, Shanghai must fully utilize its own favorable conditions, do a good job in further opening to the outside world, and expand economic relations and trade, S & T and cultural interchange with foreign countries, all of which requires corresponding development in the tertiary industries. Along with the reform of the urban economic system, enterprises will become relatively independent commodity producers which are responsible for their own profits and losses and are self-managing. This will inevitably require the development of careers in finance, information and advertising, consultation services and commodity wholesaling and retailing. Similarly, further pursuing the policy of opening to the outside world requires us to provide various fine social services and create a suitable investment environment in order to attract foreign businessmen to come to

Shanghai to invest and set up different enterprises. Clearly, development of a comprehensive tertiary industry which gives convenient services is the vehicle to give play to Shanghai's comprehensive functions as a city and is also a prerequisite for Shanghai to further open to the outside world.

Hastening the development of Shanghai's tertiary industry is also a requirement for continually increasing the living standards of the people and for broadening employment avenues. Along with the continuing intensification of economic reform, it takes people to provide convenience in everyday life so that people may carry out their production and work with high efficiency. Along with the increase in income of urban and rural residents, people need even more channels of consumption and inevitably require even greater development in commerce, tourism, repair and other service trades. Tertiary industry is numerous in categories, labor-intensive and large in capacity. Developing these service trades is also an important avenue for employment. In the long run, there will be an increasing number of people engaged in tertiary industries.

Shanghai has relatively favorable conditions for developing tertiary industry. Its original foundation in traditional service trades is good and it has experience. In operating the newly rising service trades in consulting, information and technical services, Shanghai has many qualified people and a high proficiency in science and technology, and it has a uniquely favorable situation. At present the focus is on two key issues: understanding tertiary industry, and the matter of policy. Tertiary industry is an important component of the national economy. We must free ourselves from the outmoded traditional concepts of the past which did not regard labor in service trades as productive labor and did not regard knowledge, information and technology as wealth. We must have a correct understanding of the importance of tertiary industry in promoting Shanghai's economic development. At the same time, we must formulate various policies which are beneficial to the development of tertiary industry and improve the treatment of staff workers engaged in tertiary industry. We must provide support and encouragement to some nascent service trades by means of economic policies and decrees. We must mobilize all social strength to operate tertiary industry, with the state, collective and individual working at the same time. When policies are correct and the enthusiasm of various quarters is mobilized, things will be easier to handle.

Just as a leading comrade of the CPC Central Committee have pointed out, when its tertiary industry develops, Shanghai will be even more prosperous and will truly become an economic center.

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## INDUSTRY

### BRIEFS

BEIJING INDUSTRIAL PRODUCTION--The pace of industrial production increased in Beijing Municipality this year; the plan set it at 6 percent, but for the previous 10 months it in fact increased 12.1 percent. Beijing Municipality has made a preliminary analysis of the reasons for the large rate of increase. One reason is that among local industrial enterprises, the sum total of 10 companies--automobile, television, steel, computer and so on--account for 60.5 percent of the exceeded production total. A second is newly increased production capacity (principally new construction and continuing construction of chemical fiber plants and polyester fiber plants) going into operation, accounting for 11.3 percent of the exceeded production total. A third is that regional county industries and collective small enterprises came alive; the rate of increase was large, accounting for 7.8 percent of the exceeded production total. A fourth is that national enterprises at the capital exceeded the rate of the plan, accounting for 19.5 percent of the exceeded production total. At the beginning of the year when production was planned, there were great gaps in energy and raw and processed materials. Beijing Municipality went through many kinds of channels to struggle to get natural resources and vigorously economized. It increased the transport of small pit coal by 1 million tons, purchased 35,000 tons of high priced fuel oil and increased the share of electric power and gas distributed. It went through adjustments, price negotiations and processing of incoming materials, and settled the portions of steel products and copper products. With respect to economizing, the consumption of raw and processed materials declined season after season. Energy conservation was particularly outstanding. From January to October, the gross industrial output value rose 12.1 percent, while industrial electricity usage increased only 4.4 percent. [Text] [Beijing JINGJI RIBAO in Chinese 14 Dec 84 p 2] 12895

JIANGSU INDUSTRIAL OUTPUT--By the first 10 days of December the gross industrial output value of enterprises in Jiangsu Province's townships and towns had already reached 20.5 billion yuan, an increase of nearly 40 percent over the same period last year and 190 percent more than that of 1980. Among the 75 suburbs and counties in the entire province, 21 counties, by the end of November, had achieved a doubling in 4 years. By the end of the year the gross industrial output value of enterprises in the entire province's townships and towns could reach approximately 22 billion yuan, achieving the first doubling goal 6 years early. Half the suburbs and counties are about to stride into the second doubling phase. This year the

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development of enterprises in every Jiangsu prefecture, township and town presented new situations and characteristics: Month after month sustained a high rate of growth. This year, for the entire province, the output value for the first 2 months was approximately 1 billion yuan. Since the beginning of May, month after month has maintained it above 2 billion yuan. The northern region of Jiangsu, where formerly the enterprise development of townships and towns was fairly slow, is rousing itself to catch up. This year in 11 counties in Huaiyin prefecture the number of enterprises of the village system, combined household system and family system reached 3500. The output value of the first half of the year was approximately 100 million yuan. At the same time the enterprises of townships and towns began to turn toward development of more administrative levels, more categories and more trades. [By Su Haigen [5685 3189 2704] and Wang Youlin [3769 0645 2651]] [Text] [Beijing JINGJI RIBAO in Chinese 14 Dec 84 p 1] 12895

SHANDONG INDUSTRIAL OUTPUT VALUE--In January, the industrial output value of Shandong Province was 4.36 billion yuan, an increase of 28.5 percent over the corresponding 1983 period. [Summary] [Jinan DAZHONG RIBAO in Chinese 12 Feb 85 p 1 SK]

GUANGDONG INDUSTRIAL PERFORMANCE--Total value of industrial output in Guangdong in February was 3.266 billion yuan, an increase of 30.95 percent compared with the same month last year. This was achieved despite the fact that there were only 21 working days in the month and there were serious shortages of electric power and raw materials. Average daily output value was 156 million yuan, a record. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 16 Mar 85 HK]

GUANGDONG INDUSTRY--Since the beginning of this year, the province has rapidly developed its industrial production. By the end of February, the province's accumulated industrial output value was 7.15 billion yuan, an increase of 34.5 percent over the same period last year. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 1100 GMT 13 Mar 85 HK]

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## CONSTRUCTION

### ALL TRADES URGED TO RUN CONSTRUCTION MATERIAL BUSINESSES

Beijing GUANGMING RIBAO in Chinese 15 Nov 84 p 2

[Article by Zheng Haining [6774 3189 1380]: "Director Lin Hanxiong of State Construction Material Industry Bureau Suggests All Trades Should Be Encouraged To Run Construction Material Business"]

[Text] In order to correct the existing construction material shortage in China, all trades should be encouraged to run construction materials businesses, suggested by Director Lin Hanxiong of State Construction Material Industry Bureau in an interview with this reporter several days ago.

The construction material industry, said Lin, has always been a weak link in China's national economy because varieties are few, quality is poor and many of its products show a conspicuous contradiction between supply and demand. As a trend of greatly developing China's economy will emerge after the Third Plenum of the 12th Central Committee, the demand for construction material has grown every day. Thus, to change the backward face of the construction material industry and rapidly push it up to a higher level has become a considerably pressing mission.

In Lin's opinion, China's construction material industry has many trades, a wide range of services, abundant resources and an expansive market. To speed up its development, it is necessary to fully mobilize enthusiasm for running construction materials businesses in all sectors and promote commodity production in a planned way. Not only do the central authorities need to run it, they should also mobilize and support provinces, municipalities, localities, counties, towns, townships and individuals to do it. Not only do the departments for construction material need to run it, they should also encourage and support all trades, all departments, collective owners and individuals to do it. Only by doing so can the construction material industry really have a great development.

According to Lin, many things cannot be done or be done well if the state is relied upon as the only source of investment. As a matter of fact, some localities, departments and private citizens have money and are greatly enthusiastic about running construction materials businesses. If the authorities concerned have formulated a correct policy, they will be able to get part of the funds out of all trades to develop the construction material



industry; then, the "financial power" for the development will be strong. The objective basis for everybody to run construction materials businesses lies in the shortage of construction material, with both capital constructions and the common people who want to build houses needing it and the people are holding money waiting to purchase it. The government's mind on the control of construction material, added Lin, must be liberalized and the method of "centralization" adopted during the 1950's and 1960's is no longer applicable. In recent years, small cement factories have been rapidly developed and their output now makes up 75 percent of the national total. Those factories mainly rely on investments from localities because the state has not spent much money on them. It has proven that a smaller investment would get bigger economic results if and when the policy were relaxed.

Lin suggested opening the channel of funding in many ways and developing commodity production. In addition to properly increasing its investment in the construction material industry, the state should raise funds mainly through various channels, such as group capital, pool capital, monopoly capital, joint venture, compensation trade and investment by staffers and workers. It should persist in the principle that the investors get the profit. Products made by enterprises which are established with the aforementioned capital should not be turned over to the higher authorities. Instead, the investors should be entitled to the preferential policies of selling the products by themselves according to the market price and pulling out their investments before taxation. Meanwhile, the procedure for examining and approving the items of their production by the government should be simplified. In the past, said Lin, localities built large cement factories, but the products were turned over to the higher authorities causing the investors to turn to small cement factories because they got nothing for themselves from the production. If the state persists in the principle that the investors get the profit, it would be possible for localities to invest in large or medium-sized cement factories. Lin also indicated that the State Construction Material Industry Bureau will create conditions for all trades to run construction materials businesses and render good service in the areas of information, technology and talents.

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## CONSTRUCTION

## PRIORITY TO THE DEVELOPMENT OF BUILDING MATERIALS SUGGESTED

Beijing JINGJI RIBAO in Chinese 30 Nov 84 p 3

[Text] Before 2000 A.D., China needs to build 150 million  $M^2$  of housing in its cities and towns and 600 million  $M^2$  of housing in its rural area every year. These projects plus construction of industrial, commercial, tourist and public facilities require a tremendous amount and many varieties of building materials. Although the production of building materials in China has made a significant expansion in recent years, it still is far from being sufficient to cope with demand by the development of constructional undertakings, whether in quality and quantity or in variety and grade. Combining the production of building materials with the actual situation in China, referring to the trend of the development of the production of building materials in foreign countries and based on the usage and functions of construction in China's urban and rural areas and the exploitable resources, we suggest that priority should be given to the production of the following building materials:

**Ordinary Silicide Cement:** Cement and concrete continue to be among the most important building materials henceforth, thus, not only should their quantity be increased, quality should also be specially improved. China's total output of cement broke the 100-million-ton mark in 1983, of which slag silicide cement made up a considerable proportion, which represents a big gap compared with developed countries. In order to improve cement quality, it is necessary to produce more ordinary silicide cement. In the meantime, we need to develop a water-reducing agent for concrete to decrease the amount of cement and improve its performance.

**Natural and Manmade Light Skeleton Materials:** Light skeleton material is a "must" to multilevel or high-rise buildings made of concrete. At present, annual output of the manmade light skeleton material and natural pumice produced in China is only several hundred thousand  $M^3$ , while that in Japan is as many as over 7 million  $M^3$  and more in the United States and the Soviet Union. We must catch up with them by vigorously developing natural light skeleton material at locations where resources are available and increasing the output of manmade light skeleton material step by step in other cities.

**Hollow Clay Brick:** China produces 200 billion pieces of clay brick annually as the world champion, but almost all of them are low-grade small-sized solid bricks which not only are not for construction but also consume more energy and

land. At present, the output of hollow bricks in developed countries makes up more than 90 percent of their total output of bricks with the sizes and specifications systematically arranged into sets. China should follow suit. In addition, we should use such natural resources as lime and sand to continue promoting the production of silicide bricks.

**Synthetic High-Polymer Waterproof Board:** According to foreign countries' experience, synthetic high-polymer waterproof board used as a substitute for asphalt produces good results as a waterproof material. China has succeeded in the trial-production of triphenylethan waterproof board and promoted its application. Henceforth, we should pay close attention to the trial-production of a middle-grade variety of the product and massively use it for multilevel, high-rise buildings and civil construction.

**Plastic Wallpaper, Plastic Floor Cover and Plastic Pipe:** In foreign countries, plastic wallpaper has numerous varieties and colors. China has been producing it in recent years, but its colors, designs and varieties are so few that it cannot meet the demand for the decoration of high-class, large-scale buildings and residences. China-made plastic floor cover is small-sized and hard and lacks variety, thus producing unsatisfactory result when used. Henceforth, we should focus on the development of rolls of colored, wide and cushioned plastic floor cover and multi-ply, springy compound floor cover. It is also necessary to develop plastic pipe and conduits to replace cast-iron pipe for use as water-supply and drainage pipe.

**Construction Paint:** Organic or inorganic construction paint is an important material for decoration as it is easy to use, economical and produces good results. Paint made in China has been in use, proving that it has produced good results in beautifying buildings and the environment and improving the quality of housing. Henceforth, we should develop the production of various varieties of middle- and high-grade paint.

While developing the aforementioned building materials, we should also correspondingly promote the production of all kinds of items for decoration and repair of buildings as well as strong reinforcing bars, steel wires, molded steel and thin plates.

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## CONSTRUCTION

### YUNNAN CONSTRUCTION MATERIALS PLANTS GROWING

Kunming YUNNAN JINGJIBAO in Chinese No 40, 15 Oct 84 p 1

[Text] Yunnan has an enormous reserve and many varieties of nonferrous minerals which provide this province with the predominance to develop its construction material industry. They include colorful, quality, world-famous marble and China's best hyaline quartz sandstone and limestone which is widespread in Yunnan. However, before liberation, there were only the Yunnan Cement Factory with an annual output of about 4,000 tons and manual works making bricks, tiles and marble. Basically, Yunnan had no construction material industry at that time.

Since the founding of the People's Republic, especially after the Third Plenum of the 11th CPC Central Committee, governments at all levels have paid special attention to the building and development of the construction material industry. Up to the end of 1983, investment in the construction material industry in the whole province of Yunnan had reached over 420 million yuan with which large and medium-sized enterprises like the Kunming Cement Factory, the Kaiyuan Cement Factory and the Kunming plate glass factory were built. Now, the number of local construction material enterprises throughout Yunnan has increased to over 1,200 employing more than 70,000 staffers and workers. In order to meet the demand for the building of the national economy and the people's standard of living, all kinds of new types of construction material have emerged as the times require. Products have been developed from the singular variety in the past to more than 50 kinds, including cement, cement products, plate glass, fiber glass, ceramic sanitary equipment, marble, asbestos, asbestos products and asphalt felt. Of these products, the annual output of cement has reached over 2.2 million tons, increased 450-fold compared with the years just following liberation, and that of plate glass has reached more than 900,000 boxes.

Along with the development of the construction material industry, all construction projects of the national economy have been promoted and the working and living conditions of the broad masses have been improved and raised. Glazed tile, marble and paint have become important materials for the decoration of construction and ceramic sanitary equipment is widely used in cities and towns. In recent years, over 10,000 boxes of plate glass and more than 40,000 tons of cement have been allotted every year to farmers in the whole province as construction material to build houses. New types of construction materials are making an entry step by step into the realm of production and living in the countryside and have beautified our urban and rural areas.

## CONSTRUCTION

### CHINA'S FIRST MODERN CEMENT FACTORY DESCRIBED

Beijing SHUI NI [CEMENT] in Chinese No 10, 10 Oct 84 p 7

[Article: "Introducing China's First Modern Cement Factory"]

[Text] The Yidong Cement Factory is China's first large modern cement enterprise adopting the technology of out-of-kiln decomposition. With its major equipment imported from Japan, this factory has more advanced technological equipment and a higher degree of automation. The equipment in the entire factory weighs a total of 13,000 tons, the length of all kinds of wires laid in it amounts to about 700 km and its productive capacity is designed to have an annual output of 1.24 million tons of processed material and 1.50 million tons of cement. Special feature of its technological equipment are briefly introduced as follows:

A. The equipment has bigger standards and each single machine has a higher productive capacity. Limestone is crushed by heavy-hammer crushers and each crusher can produce 600 tons per hour. Limestone rocks fed into the crusher can have a size of 1,100 mm at the maximum and are reduced to smaller than 25 mm when leaving it. The standards of raw material mills are 4.5 x 13.86 m and the hourly output is 150 tons. The drying and grinding is operated in closed circuit with a  $\phi$  7.3 m centrifugal separator. The standards of the kiln are  $\phi$  4.7 x 74 m. At the end of it is a 21 x 16 x 68.1 m support on which the preheater consisting of 4 first-stage cyclonic cylinders ( $\phi$  4.08 m), 2 second-stage cylinders ( $\phi$  6 m), 2 third-stage cylinders ( $\phi$  6.4 m), 1 fourth-stage cylinder ( $\phi$  8.2 m) and 1 model SF-232 decomposer (capacity 490 m<sup>3</sup>) is installed. The cooler is the 3-stage, 7-compartment type with a rake pushing the material forward horizontally. It has an effective area of 105.3 m<sup>2</sup> and the material in it can reach a thickness of 600 mm. Some of the heat in the cooler returns to the kiln and another part is sent to the decomposer at the kiln's end and the remainder discharges to the open air through the electric dust collector. The clinker mill is a  $\phi$  4 x 15.11 m, 2-compartment mill equipped with a  $\phi$  5.5 m cyclonic separator and has an output of 118 tons per hour (specific surface 3,100 cm<sup>2</sup>/gram). The coal mill is a  $\phi$  3.6 x 5.6 m, single-compartment ball mill with an output of 32 to 38 tons per hour (88 microns, 7 to 10 percent passing sieve).

B. Automation is at a fairly high level and the operation of the factory can be centrally controlled. The control over the production of the entire factory is centralized at three control rooms; the mine control room, the



central control room and the packing control room which carry out monitoring, operating and control through automatic instruments, programmable controllers, industrial television and computers:

1. The control system has a small computer to do the control. It consists of eight panels and eight sets of peripheral equipment. Its core storage has a capacity of 64,000 words and the word length is 16 spaces. Its functions including analyzing the data processing by the X-screen analyzer, calculating and controlling raw materials and burden and conducting real-time control, monitoring of electric power, release of alarm, CRT display of the running of equipment and tabulation of data against raw material mills, cement mill and cement kiln during the process of production.

2. The control system has nine programmable controllers of which one each is installed in the mine and packing control rooms and seven in the central control room. They are used to operate all of the productive circuits in the factory. Inside the controller there is a microprocessor with a capacity of 8,000 words which may, following the order of the circuits, turn on or off the equipment via the compiled programs.

3. The entire factory has seven industrial television cameras which are mounted at all important positions. In the central control room, there are three screens which enable the controllers to get on-the-spot observation of the production at any time and to make timely corrections or any unusual situation when discovered.

C. A new method of storing products and materials is used. There are three indoor prehomogenization tanks to separately homogenize limestone, sand and gangue and crude coal. The homogenization of raw materials is done in a tank of combined compartments to a degree which is designed to be 0.03 below the standard deviation of the rate of harness of the water at the exit of the tank. Processed material and cement are stored in silos.

D. All kinds of dust collectors are installed separately at important locations in the factory, including 1 electric dust collector, 34 has dust collectors and 2 cyclonic dust collectors.

E. This factory has fairly complete measuring facilities. Installed in it are a 100-ton electronic track weighing apparatus and a 50-ton electronic automobile weighing apparatus. Electronic belt scales are equipped for crushed limestone, feeds of raw material mills and cement mills, processed material tank and the coal supplied to the decomposer and the head of the kiln. An electronic scale with standard compartment is set up for raw material entering the kiln. All grinders carry a blast flowmeter equipped with a sensor to control the quantity of coarse fractions in them which are separated by the separator.

The construction of this factory started in 1980 and was completed for trial production in November 1983. It will soon be checked and accepted by the state.

## CONSTRUCTION

### RICE STRAW BOARD USED IN HOUSING CONSTRUCTION

Shenyang LIAONING RIBAO in Chinese 26 Nov 84 p 1

[Article by Tian Erxue [3944 5079 1331]: "Liaoning Provincial Petrochemical Industry Engineering and Construction Corporation Initiates the Use of Rice Straw Board To Build Houses"]

[Text] On 29 October, the Liaoning Provincial Petrochemical Industry Engineering and Construction Corp completed construction of the first two-story house located at Panjin, Liaoning for the first time in this province. Over 70 visitors representing Beijing, Qinghuangdao, Shenyang and Dalian who were on hand were immediately attracted by this new, unique building. It occupies a total area of 293 m<sup>2</sup> and is built on a skeleton made of thin steel slates with plaster boards and rice straw boards for its walls and roof. The surfaces of the walls are inlaid with a layer of light green aluminum alloy plates. Its exterior is artistic and tasteful; its interior is comfortable and refined. Buildings built with this type of construction material can be used for office buildings, high-class hotels, hospitals and nurseries. After they viewed the house, many visitors requested the corporation to help build this type of building in their cities. Rice straw board is made of rice straw which is formed into a board by high temperature and pressure and its surface is covered with a protective sheet. It is characteristically sturdy, thermal insulated, soundproof and heat resistant. A comparatively good construction material, rice straw board had been widely used by the construction trade in foreign countries as early as the 1940's. At the demonstration site, this reporter witnessed the tester heat up a steel-cutting welding blade to nearly 1,000 degrees and bake the board with it. Several minutes later, only the surface of the board was charred and the interior was not damaged at all. Then, the tester put up a 5.8mm-thick rice straw board with supports at both ends and placed an object weighing 2,000 jin on it, but it was neither deformed nor made crooked. Using rice straw board, an abundant resource, to build houses is a reform targeting against traditional construction materials. Replacing bricks, tiles, sand and stone with new type of construction materials for the building of houses requires little investment but yields a high output. Not only can it lower the consumption of energy and economize the use of land, it can also reduce the intensity of labor of construction workers and accelerate the cycle of construction. According to the introduction made by the comrades responsible for the construction, it took only 60 workers and 27 days to complete the building, shortening construction time by two-thirds compared with that of a similar house built with bricks.

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## CONSTRUCTION

## BRIEFS

**OPENING OF RONG JI BRIDGE**--On the morning of 25 November, colorful flags were fluttering and drums and goods were being played on the Rong Ji Bridge of the Guangzhou-Zhuhai Highway as the command in charge of the rebuilding of the highway was holding a grand ceremony at the site to mark the opening of the bridge. From now on, the whole highway between the two cities is open to traffic. Nearly 1,000 people including Ren Zhongyi, Liu Tianfu, Li Jian'an, Zeng Dingshi, Liu Junjie and other leaders, representatives of all related sectors in Guangdong Province, Guangzhou City, the cities of Foshan, Zhuhai and Zhongshan and Shunde County and celebrities of Hong Kong and Macao including Ko Zhengping, Ye Feng, Huo Yingdong, Ma Wang, Ho Hongxin and Cao Kaiyu attended the ribbon-cutting ceremony. The Ministry of Communications also sent a letter of congratulation for this occasion. Having a total length of 1,023.86 meters, the Rong Ji Bridge is the longest, highest and most magnificent highway bridge at the present time as well as the last item in the phase one construction of the project of the rebuilding of the Guangzhou-Zhuhai Highway. Ren Zhongyi, Liu Junjie and Huo Yingdong, a celebrity of Hong Kong, delivered speeches in the ribbon-cutting ceremony warmly congratulating the opening one after another of the four bridges of the Guangzhou-Zhuhai Highway (San Heng Ji, Rong Ji, Xi Jiao and Sha Kou) and pointing out that it was a highly significant event in the history of the development of Guangdong Province's communication system. [Text] [Guangzhou NANFANG RIBAO in Chinese 26 Nov 84 p 1] 12730

**GUANGZHOU BUILDING LARGE GASWORKS**--With the approval of the agency concerned in the State Council, Guangzhou will build a large gasworks in the Jishan area of Huangpu. It will have a daily output of gas of 400,000 m<sup>3</sup> of which one-third will be supplied to industrial and public welfare consumers and two-thirds to residents of about 160,000 households. At present, 100,000 of 580,000 residential households in Guangzhou City are using liquid petroleum gas, making up 12 percent of the city total. This percentage, however, is behind the 20-percent average rate of gasification of cities throughout China. If this gasworks goes into operation, the number of households using gas and petroleum gas will increase to 230,000, making up 40 percent of the city total. This gasworks comprises two components--the gas manufacturing and the gas pipeline system. The whole project costs a total investment of 155 million yuan. The first phase of construction will be completed at the end of 1987 and have a daily yield of 240,000 m<sup>3</sup> supplying some residential households and industrial and public welfare consumers in Huangpu, Yuancun, Shipai, Shahe, the Dongshan District and the Yuexu District. The second phase of construction will be completed in 1989. [Text] [Article by Ou Shixiong 10575 1102 7160]: "Guangzhou Will Build a Large Gasworks" [Guangzhou GUANGZHOU RIBAO 12 Nov 84 p 1] 12730

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GUANGZHOU HOUSING CONSTRUCTION REPORT--The Guangzhou Municipal Construction Committee has revealed that by the end of December 1984, Guangzhou had completed a million sq m of housing in 1984 which was the most housing completed in a year since the founding of the PRC and surpassed original plans by over 50 percent. Since the 3d Plenum of the 11th CPC Central Committee, the Guangzhou municipal people's government has paid a lot of attention to the problem of housing construction and taken a series of steps to accelerate its pace. For instance, it has gradually changed the past housing construction method of "making use of every bit of time or space" into one of carrying out large-scale overall planning and organization of construction based on a unified urban construction plan. It has successively carried out large-scale construction of building complexes in districts such as Henan, Yuancun and Dencunxincun. The 300,000 sq m housing complex being built in the Henan District by the Jiangnan Avenue Plan has now reached 100,000 sq m through intensified construction; since the first part of the Shayuan Housing Construction Complex was completed, it has 50,000 sq m under construction again in 1985. Guangyuanxincun is preparing to build an almost 100,000 sq m housing complex. The housing construction method of inviting the submission of bids in order to develop competition has also been adopted. According to statistics, 200,000 sq m of housing was built in 1984 using this construction method which made the average construction cost 2.6 percent lower than that of regular construction methods, reduced the average construction period by 20 percent and improved construction quality. Guangzhou has also further relaxed policies, permitted the lifting of restrictions on the building materials market and changed the past method of state monopoly for purchase and distribution, alleviating the short supply of building materials and thus accelerating the pace of housing construction. [Text] [Guangzhou NANYANG RENBAO in Chinese 1 Jan 85 p 1] 12267

CSO: 4006/271

4 April 1985

# DOMESTIC TRADE

## THREE DISTINCTIONS WHICH MUST BE MADE ABOUT CONSUMPTION

Shanghai SHENHUI KEXUE /SOCIAL SCIENCES/ in Chinese No 12, 15 Dec 84 pp14-15

/Article by Huang Sha /7806 3097/: "Promote Consumption with Full Justification and Without Fear"/

/Text/ The "Decision of the CPC Central Committee on Reform of the Economic Structure" adopted by the 3rd Plenary Session of the 12th CPC Central Committee points out: "According to the basic tenets of Marxism, production is the starting point and the predominant factor in all economic activities, and consumption is determined by it; but consumption is also determinate in that its growth gives a strong impetus to creation of new social demands, opens up vast markets and encourages production." The "Decision" has profoundly expounded the mutually influencing relation between production and consumption. Conscientiously studying and comprehending this elucidation is of vital, practical and guiding significance to us in breaking down old concepts about consumption, changing the consumption consciousness, beautifying the people's livelihood and thereby developing production.

For a long time, we have been so accustomed to production for its own sake that we have neither paid attention to operations nor encouraged consumption. In fact, people who have some knowledge of political economy know that social reproduction embraces four links: production, distribution, exchange and consumption. Consumption occupies the most important position among the four links and is the starting point and the final settling place for production. Only by interlocking these four links and operating them proportionately can social reproduction achieve a benign cycle. A breakdown of any one of these links, such as underproduction, shortages, or poor circulation will affect the progress of social reproduction. In recent years, as production has developed rapidly, the market has also flourished. The supply of commodities of various categories is becoming more abundant with each passing day, coupons and certificates of all descriptions that restricted consumption have been abolished, and the people's purchasing power has also improved markedly with increased income. Last year, retail sales totaled 284.9 billion yuan and the



peasant's average net income came to 310 yuan. However, because we did not pay attention to "consumption" in the past, even now we are still not paying attention to "consumption" with full justification and without fear; thus the people's purchasing power cannot be fully exploited. By the end of last year, savings deposits in urban and rural areas across the country amounted to as much as 89.25 billion yuan. This huge latent purchasing power reflects underconsumption. The underconsumption in some areas has affected production and circulation. Marx pointed out in his "Preface to a Critique of Political Economy": Only through consumption can a product become an actual product. For example, a dress becomes a dress realistically by the act of wearing it; an unoccupied house cannot be a house in actuality. Therefore, a product is different from a simple natural object; it can only verify itself as a product and become a product through consumption. Consumption means that the product will finally be finished when it is eliminated." This thus clearly tells us that in a situation when social products are becoming increasingly abundant, only by promoting, encouraging, stimulating and enlarging consumption can we enable social reproduction to proceed smoothly.

however, it should be noted that to emphasize consumption, the concept of it must first be changed. Comrade Hu Yaobang recently pointed out: "Change of lifestyle must not be overlooked. Lifestyle should change with the change of the mode of production." Therefore, "ideologically, we must understand the the notion of change." History tells us that great social change always coincides with change in lifestyle and that change in lifestyle is inseparable from the change in the notion of consumption. Therefore, today we must do away with the old concept of consumption and foster a new one, and establish a civilized and healthy lifestyle that is compatible with the development of modern forces of production and the demands for social progress, and do all this as an important task of developing socialist spiritual civilization. Why is it that some people are now afraid of changing their lifestyle and dare not advocate consumption with full justification and without fear? This is due primarily to the "leftist" influence and restraints by old traditional ideas and proverbs and folk adages. For this reason, we must clearly draw the following three demarcation lines.

1. Drawing a Clear Line of Demarcation Between Proper Consumption and Extravagance and Waste: In the past, the word consumption was often automatically equated with waste, making it a pejorative. This was due to the fact that for a long time, the productive forces in our country were underdeveloped, the means of material subsistence were lacking, and the level of consumption had been low. Therefore, "living frugally," "doing things simply and thriftily," "changing big size into small," "piecing small ones into big ones, altering worn out long gowns into short jackets," "in spite of 10,000 dan of rice in the house, no patched clothing will be discarded," "wearing new cloths for 3 years, the old ones for 3 years and the patched ones for another

3 years" and other proverbs and folk adages that restricted consumption, and family rules of admonition preaching "frugality" that had been looked upon as a traditional virtue for hundreds of years, have become accepted beyond a shadow of doubt. Now some people think that advocating consumption will undermine our national tradition of "living frugally." We should make a historic analysis of the tradition of "frugality." During the war years, it was necessary to economize on food and clothing as the material conditions were very difficult. During the 3-year period of natural disasters in our country in the early 1960's, the call for economizing on food and clothing played a positive role in surviving the hardships. However, the people's level of consumption cannot forever remain stagnant. All economic activities under the socialist system are intended to steadily satisfy the people's growing needs in material and cultural life. Since the 3rd Plenary Session of the 11th CPC Central Committee, the economic situation in our country has steadily improved and the changes in economic conditions are bound to affect the change in lifestyle. Today, now that the Chinese people have solved the problem of "dressing warmly and eating one's fill," the people's livelihood is changing from "dressing warmly and eating one's fill" to being "comparatively well off." Under this new historical condition, the lifestyle molded in an environment of extremely poor means of material subsistence and the related concept of "living frugally" is obviously out of keeping with the times. Thus, we must free ourselves from the traditional concept of being satisfied with low standards and the low level of consumption and encourage the people to consume properly. If the past practice of economizing on food and clothing to restrict consumption continues it will not only hamper the development of the forces of production but will also cut us off from the masses. Of course, it is also wrong to persistently pursue high consumption in disregard of the possibility the development of production and exceeding one's earnings through labor.

2. Drawing a Clear Line of Demarcation Between the Proper Modernized Style of Consumption and the Bourgeois Lifestyle: It is wrong for some people to look upon the beautification of life as an eyesore and even criticize it as the bourgeois lifestyle. In differentiating between the two, we do not judge by the quality and the amount of consumer goods but by the propriety of the sources of consumption to see whether or not the way of consumption is reasonable and the objective of consumption is correct. In fact, the bourgeois lifestyle and the bourgeois way of production are related insofar as they involve taking possession of others' labor. On the other hand, the new lifestyle we are talking about is compatible with the socialist way of production; that is, we spend the money we made on our own, which is beyond reproach as long as the money is gained through labor and the proper labor earnings are used to improve one's own livelihood.

It should be pointed out that we interfered with the people's lifestyle too excessively in the past, particularly that of the young people. We were actually distorting the modern lifestyle in the context of feudalistic

ideas and with the narrow-mindedness of small producers. For example, restrictions were imposed on a certain hairstyle, the width of the bottom of trousers, the height of heels, the number of tables one is allowed at a wedding feast, and so on, curbing people's enthusiasm for consumption by permitting this and prohibiting that, especially the young people's enthusiasm for consumption. Still there is another misconception, that some people have confused "paying attention to nutrition, smart clothing, high-grade goods and spacious homes" with the bourgeois lifestyle. In the past, high-class consumer goods had always been exclusively enjoyed by high officials and VIP's; the laborers who produced those high-class consumer goods were left out until now. The people in pursuit of a modern lifestyle are yearning for "high quality in material life, high style in spiritual life, high rhythm in the life pattern and high composition in cultural knowledge." This reflects the contemporary young person's confidence toward the future and pursuit of a good life. The modern lifestyle is the product of the modern way of production. If the people do not change their aesthetic concepts, time and space concepts, the concept of efficiency and the concept of value, and do not cultivate modern living habits, it will be very difficult for them to keep up with the fast tempo of the modernized way of production. The modern lifestyle clearly is not the bourgeois lifestyle, and if one lumps them together arbitrarily, it only shows that he is ignorant and backward.

3. Draw a Clear Demarcation Line Between Raising the Level of Consumption and "Discarding the Fine Tradition of Arduous Struggle": The "Decision" pointed out: "We must never discard the fine tradition of working hard and building the country through diligence and thrift that was developed during the long period of our revolution and reconstruction. In the new historical period this tradition chiefly means the spirit of working hard and defying all difficulties in dedication to the motherland and the people, practicing strict economy in production and construction, opposing any act that squanders state materials and funds, and avoiding erroneous policy decisions that result in waste. It should not be misconstrued as overlooking due growth in the people's level of consumption." This tells us precisely that as production develops, we should steadily raise the people's level of consumption and should not pose the call for consumption against the fine tradition of arduous struggle. Arduous struggle should not be construed as struggle against poverty and struggle by tightening the belt, asking people not to enjoy the material conditions now within their reach and not to spend money even if they have it. This runs counter to the target put forth by the 12th CPC Central Committee to raise the people's living standard to a "comparatively well-off level" by the turn of the century. It should be noted that although our people's level of consumption has rapidly risen in recent years, it has remained very low. The annual per capita sugar consumption in China averages 8.83 kg, only one-tenth of the world average per capita consumption level; with regard to textile goods, our annual per capita consumption averages 3 kg whereas the developed countries comes to 30 kg. The gap is much wider as far as utility is

concerned. While "one-time consumption" is now quite common in developed countries, we still cannot do without mending and patching. Consequently, we should emancipate our minds, publicize, encourage and direct consumption with full justification and without fear. We should, through model households and by means of consumption counselling, teach the earner "how to spend" so as to make the people more comfortable in clothing, food, housing and transportation and enable them to live better. Particularly, we should correctly teach young people to consume positively and reasonably and to beautify life and the environment and become the leaders in transforming the lifestyle.

12662

CSO: 4006/375

DOMESTIC TRADE

COMMODITIES IN HEAVY DEMAND AS PEASANT PURCHASING POWER RISES

Tianjin TIANJIN RIBAO in Chinese 24 Nov 84 p 1

/Article by Yuan Xian /3104 0341/: "As Peasants Are Living a More Prosperous Life, They Demand High-grade Commodities--Rural Economic Reform Has Given the Cities a Message"/

/Text/ The change in the mode of agricultural production has also brought about great changes in the way of life and customs of rural consumers. The sphere of industrial products for daily use in demand in the countryside is expanding with each passing day. According to an investigation by our municipal departments concerned, the new demand for industrial products for daily use by rural consumers at present are:

1. The industrial products for daily use most welcomed by peasants are those for enjoyment of life and also for means of livelihood. For example, an electric fan is an instrument that can be used to lower indoor temperature and also for ventilation in production; a motorcycle can be used in daily life and also for short-distance transportation. Such commodities are urgently needed by the peasants. The 250 specialized households in Liqizhuang alone had purchased 37 motorcycles in half a year's time, but they still need to purchase another 100 automobiles and motorcycles.
2. The demand for products suited to peasants' spiritual enjoyment has increased steadily. In the course of building the "two civilizations," 3,100 cultural halls have been established in counties and districts throughout the country, the number of rural cultural centers in the country has increased to 35,000, there are 6,000 cultural centers in various towns throughout the country, as well as many in the rural areas under our city. "Specialized cultural households" have also appeared in some prefectures, various forms of cultural, recreational and sports activities are developing vigorously in the countryside. Therefore, the peasants have put forth many new demands for cameras, recorders, various kinds of balls made of leather and sports goods that enrich cultural life. A new situation has even appeared with "peasant households buying pianos and rural areas showing interest in symphonic music." According to statistics compiled by the



Tianjin cultural station. During the first half of the year, the sale of various kinds of cultural ornaments and Chinese and Western musical instruments rose to more than 70,000 yuan or over 50 percent more than in the same period of last year, with sales of Chinese and Western musical instruments alone doubling.

3. Expensive durable consumer goods are the concentrated purchasing targets of peasants. First of all, peasants who have become well-to-do are more particular about the style of clothes they wear, they like to use expensive things and want to equip their houses with radio equipment. According to a forecast by the municipal departments concerned, by the end of this year, retail sales of 12 kinds of durable consumer goods, including television sets and recorders, are expected to increase by 56 percent over 1983. The "three old" items are being generally updated and improved. "Television fever" is on the rise in the countryside. According to a breakdown of the sales of TV sets in Beijing, Nanjing, Tianjin and Shanghai, between 60 and 80 percent are sold in the countryside. In Tianjin suburban districts, the number of TV sets placed on order this year is more than 63,000. The sales in the countryside of other top-quality industrial products for daily use which bear the characteristics of being inexpensive and of new fashion and fine quality have also increased markedly.

4. The demand for building materials for civilian use is rapidly increasing. In the countryside, not only are more houses being built but new characteristics have also appeared: Mud huts are being converted into brick houses with cement floors and glass windows and heatable adobe sleeping platforms are being replaced by wooden beds. As a result, the phenomena of "three difficulties and three too many's" have emerged in the countryside. a) Difficulty in getting timber; timber to be used for roof beams, purlins, doors and windows is in short supply, b) difficulty in getting glass; thin plastic sheets have to be used as a substitute, c) difficulty in getting bricks. The "three too many's" are primarily related to the many demands for products to outfit the new houses: a) More demands for room furnishings such as wooden furniture, bed items and decorative items for tables and chests inside and out; b) more demands for indoor decorative items, such as sofa sets and window curtains and other accessories; c) more demands for indoor equipment such as demands for the installation of water-heating equipment and diverting tapwater into the house which in turn results in larger demands for cooking utensils, tableware, heat control and electrical materials and appliances and water control equipment.

12662

CSO: 4005/211

DOMESTIC TRADE

BRIEFS

JIANGXI TRADE FAIRS--The year 1984 saw a vigorous development of the trade fairs in both the rural and urban areas of Jiangxi. The amount of business done at the trade fairs totaled 1,378.98 million yuan, up 14.37 percent from 1983. The amount accounted for 13.88 percent of the total retail sales in 1984. By the end of last year, there were 1,825 rural and urban trade fairs in the province. Investment last year in the construction of such fairs amounted to 10.88 million yuan. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 25 Feb 85 OW]

CSO: 4006/472

4 April 1985

## FOREIGN TRADE AND INVESTMENT

## BRITISH MINISTER INTERVIEWED ON ECONOMIC, TRADE COOPERATION

HK100550 Beijing JINGJI RIBAO in Chinese 6 Mar 85 p 1

[Feature by reporters Gao Fengyi [7559 7685 0308] and Li Zhiliang [2621 3112 5328]: "I Have Full Confidence in British-Chinese Economic and Trade Cooperation--an Interview With Lord David Young, Leader of the British Economic and Trade Delegation"]

[Text] It was sunny and cloudless in Beijing on 3 March. After suddenly becoming warmer, the weather turned cold again, but spring has arrived as everything looks fresh and gay.

At 1300 that day Lord David Young, head of the high-level British economic and trade delegation and minister without portfolio, granted us an interview in the spacious hall of the International Club.

"It is very cold outdoors, but our talks with Chinese side have been held in a warm atmosphere," said Lord Young. He also spoke to us in a meaningful tone: "I placed confidence in the development of British-Chinese trade relations prior to my visit to China. Through my contacts with many persons responsible for different departments in China over the past few days, I find that they all have a sincere desire to promote economic and trade cooperation between Britain and China. I now can say that I have more confidence in the prospects for cooperation between the two sides."

Lord Young spoke highly of the Sino-British joint declaration on the question of Hong Kong. He pointed out: "Undoubtedly the historic agreement on Hong Kong has added a new chapter to the annals of British-Chinese relations." The satisfactory settlement of the Hong Kong question further has boosted the enthusiasm of British industrialists for developing Sino-British trade. The British minister also said: Our delegation is an economic and trade group with the strongest lineup that Britain has ever sent abroad. This is indisputable proof. Some firms participating in the trade group have long had trade relations with China. They sincerely hope that they will make their contributions to China's economic modernization drive through cooperation.

He also told us with enthusiasm: The Chinese Government also attaches importance to the development of economic and trade cooperation between the two countries. Premier Zhao Ziyang is scheduled to visit Britain in June, and Prime Minister Thatcher is eagerly looking forward to this visit. I hope that I will meet Premier Zhao and other relevant ministers when the time comes so as to exchange views toward further cooperation between our two countries.

When we turned our conversation to the prospects for Sino-British economic cooperation, Lord Young became especially excited. He said that the volume of British foreign trade accounts for 7 percent of the total world trade, but its trade with China makes up only 1.5 percent of China's foreign trade volume. There is still great potential for cooperation between the two sides. It is completely possible that the volume of trade between the two countries may double, and there are broad prospects for cooperation between them. Britain can provide advanced technology in telecommunications, power generation, iron and steel smelting, and facilities for [word indistinct] building, while China has many things that Britain needs.

Lord Young held that there are not any major obstacles hindering Sino-British economic and trade cooperation, but both sides should make concerted efforts to expand their cooperation. Britain should ensure the competitiveness of its products, provide more products that China needs, and exert itself to the utmost to relax restrictions on the transfer of some technology to China. Meanwhile, we are willing to buy China's products as much as possible for the market in Britain. As far as China is concerned, he believes that it should make it more clear how Sino-British cooperation can be further expanded. He said: China is a country with vast territory and there are numerous institutions and organizations. This makes it difficult for many foreign companies to find suitable trade partners. He hoped that this problem will be properly solved.

Referring to ways for Sino-British economic cooperation, Lord Young spoke with emphasis on joint ventures. He said: Many British businessmen think that the 12 or 15 years allotted time for running joint ventures in China is too short, because it is very difficult for them to refund their investment plus profits in such a short period of time. However, through talks during our visit we came to understand that the time limit for joint ventures can be extended to 30 years, or even longer. I believe that China's guarantee of this is more important than anything else.

Speaking of the current economic reform in China, this statement described it as a matter of far-reaching significance. He said: Your open-door policy opens up a broad way for our cooperation and common development, and this is very encouraging. I have stayed in China for only 4 days, but I am very impressed that China's economic reform is progressing smoothly. China is a great nation and its economic development has an important bearing on the whole mankind. Of course, China still has much to do at home, but I believe that it will eventually become an important force in the world.

Before our interview came to an end, Lord Young said that JINGJI RIBAO in an influential paper. We hope that your paper will publish more news reports about efforts made by foreign industrialists to come to China to seek an opportunity for cooperation so as to enable responsible Chinese persons to know their activities without delay and to enable foreign industrialists to find suitable partners. Meanwhile, we also hope that JINGJI RIBAO would help its Chinese readers to understand more about Britain so as to make contributions to British-Chinese economic and trade cooperation.

4 April 1985

## FOREIGN TRADE AND INVESTMENT

## GUIZHOU GOVERNOR IN SHENZHEN URGES FOREIGN INVESTMENT

HK140346 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 11 Mar 85

[Text] Yesterday the provincial people's government held a meeting in Shenzhen to invite Hong Kong and Macao compatriots and businessmen to offer proposals and run enterprises in developing and building Guizhou.

A total of more than 30 people, including Guizhou-origin Hong Kong and Macao compatriots, those who once worked in Guizhou, and businessmen who have business relations with Guizhou, were invited to attend the meeting.

The provincial Governor Wang Chaowen gave a briefing to the participants on economic development in Guizhou over the past few years. He said that the province's industrial and agricultural output value for 1984 was 13.49 billion yuan, an increase of 830 percent over 1949. The average annual growth rate has been 6.8 percent over the past 35 years. The average annual growth rate of the province's industrial and agricultural output value in the past 4 years was 12.2 percent. Along with a rapid development in industry and agriculture, the market has been brisk in the province and the province is vigorously developing its foreign economic relations. Some 80 products of the province have been exported to 38 countries and regions in the world, and many have been welcomed on the international market.

Provincial Governor Wang Chaowen said: Guizhou is an underdeveloped interior area with abundant natural resources, various nationalities, and great potentials. It has many favorable conditions in opening up to the outside world. But its abundant natural resources have not yet been properly exploited and utilized.

On behalf of the provincial government, he welcomed Hong Kong and Macao compatriots and overseas Chinese to make investments in Guizhou in various forms of cooperation, to jointly run mines and factories, to develop transportation, science and education, public health, commerce, and tourism, and to carry out technological exchanges.

Provincial Governor Wang Chaowen said: We will give preferential treatment to all foreign businessmen, overseas Chinese, Hong Kong and Macao compatriots, and Taiwanese compatriots who come to Guizhou to do business and to their enterprises. We will be responsible for providing them with reliable mineral resources, labor service, and locations, will guarantee energy supply, give priority to providing them with complete sets of domestic raw materials, transportation means, designing facilities, and builders, actively offer them markets within the province, and provide them with a good working environment and conditions. We will give preferential treatment to joint ventures in taxes and in fees for using the land which has been taken over for the ventures, and will protect the legitimate rights and interests of those cooperating and investing according to state laws.



4 April 1985

## FOREIGN TRADE AND INVESTMENT

## CZECH COMMERCIAL ATTACHE PRAISES SINO-CZECH TRADE RELATIONS

Beijing GUOJI MAOYI /INTERTRADE/ In Chinese No 11, 27 Nov 84 pp 23-24

/Article by Dusan Czaburosky (?) /Du-shun Sa-bu-ruo-ci-jí/, commercial counselor of the CSSR embassy in China: "Wishes from a Country in Central Europe"/

/Excerpts/ Although Czechoslovakia and China are miles apart, the trade between the two countries has not been affected by the distance of 12,000 km. In fact, the Czech-China reciprocal trade has never been disrupted even during the period of "fluctuation."

Czechoslovakia and China maintained intimate and friendly relations of cooperation in various fields during the early period of the founding of your honorable country, the memory of which still remain fresh in the minds of the people of the two countries. The engineering and technical personnel and workers of both countries in the energy, food, machine-building and ceramics industrial departments have maintained friendship since that time. I am convinced that such friendship has also existed in Shanghai, Beijing, Jingdezhen, Prague, Brno and other cities. We treasure the friendship between the Czechoslovak and Chinese people. The Chienyan No 2 Machine Tool Plant has continued to use the name Sino-Czechoslovak People's Friendship Machine Tool Plant, thus symbolizing this friendship. We hope that our reciprocal and sincere relations in trade and cooperation can be further developed on the existing foundation we had in the past.

With a feeling of amazement, we recall the warm, sincere and friendly scene at the equipping of Czechoslovak textile machinery held in Shanghai for the first time 30 years ago. This shows that our two countries have restored, 20 years later, the fine tradition of recognizing and understanding each other's country.

Since then scores of Chinese leaders and workers have visited Czechoslovakia and many of our delegations have visited your honorable country. In 1981, 85 Czechoslovak workers and 100 Chinese workers visited your honorable country (this year they would be increased to 192 and by the first half of this year, 1985, to 200).

This year, your honorable country has sent to our country a power industry delegation, a metallurgical and machine-building experts delegation, a delegation of the Ministry of Railways, a mining and heavy industry delegation, a delegation to discuss coal liquidization and a delegation of the Ministry of Textile Industry. We also had the honor of welcoming delegations from Shanghai Municipality, Beijing Municipality, Lanzhou City and Yunnan Province. We are confident that both sides can find more channels of cooperation and exchange and further strengthen the ties between us and deepen our understanding.

The signing of long-term trade agreements and long-term agreements for technical and economic cooperation is beneficial to trade development of both sides. One of the excellent examples is the agreement on transferring technology and equipment for the modernization of 11 Chinese factories by Czechoslovakia signed in April 1984 between Comrade Zhu Rongji /2612 3579 1015/, vice minister for the State Economic Commission of China; and Comrade B. Urban, Czechoslovak minister of foreign trade. Trade contacts have increased as mutual understanding developed. The goods exchange agreement between the two countries signed in 1983 amounted to approximately 270 million Swiss francs, and by 1985 it will increase to approximately 300 million Swiss francs. In August 1984, both sides signed a supplementary agreement increasing the amount of goods exchange by 350 million Swiss francs.

The exhibition of Chinese products organized by the China Council for the Promotion of International Trade at the Erno Fair held in Czechoslovakia in August 1984 was a smashing success.

In May 1984, our KOTO foreign trade corporation held an export products exhibition in Beijing and will participate in the international printing machinery exhibition to be held in Beijing. Our machinery import corporation participated in the international textile machinery exhibition held in Guangzhou in September 1984 and will also participate in the international leather-processing machinery exhibition to be held in Beijing.

The Czechoslovak machine industry exhibition with the participation of approximately 15 Czechoslovak foreign trade corporations will be held between 27 November and 5 December 1984 at the central open exhibition ground and the No 7 exhibition room of the Beijing exhibition hall. INTERTRADE, the Chinese monthly, will publish a brief introduction of the participating corporations and the items on display.

In April 1984, the Chinese economic delegation led by Comrade Zhu Rongji, vice minister for the State Economic Commission, visited our country. In May, our economic delegation headed by Comrade Urban, minister of foreign trade, visited your honorable country. In July, Comrade Guo Munua /7115 1970 5478/, Chinese state councillor and

minister of foreign economic relations and trade, visited our country. During the visit, she and Comrade Urban signed a government agreement for the establishment of the Sino-Czechoslovak Commission for Economic, Trade and Scientific and Technical Cooperation and an agreement on economic and technical cooperation in Prague.

The Czechoslovak and Chinese sides decided to further promote the socialist construction of both countries and expand economic cooperation based on the principle of equality and mutual benefits. The central point of cooperation has laid stress on: the designing, construction and renovation of projects of common interest to both sides; mutual supply of technical services and undertaking the task of training technical personnel; and the pursuit of new cooperation, including cooperation in production and also providing projects and technical services to the third country. At the same time, both sides have agreed to make preparations for the 1986-1990 long-term trade agreement.

The above-mentioned agreements have laid the foundation for economic cooperation that can be rated as of sizeable scale and have also paved the way for cooperation at an even higher level in cooperative production of items such as Tai-tuo-11 /1132 5192 2139/ tractors and some textile machines.

We are happy to see the success your honorable country won at the Brno International Fair and are honored that we can hold an exhibition in your honorable country to introduce our export products.

12662

CSO: 4006/251

## FOREIGN TRADE AND INVESTMENT

### MORE ENTERPRISE LATITUDE IN FOREIGN TRADE HAILED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 12, 27 Dec 84 pp 3-4

[Article by Shen Jueren [3088 6030 0086], director, Foreign Trade Administration Bureau, Ministry of Foreign Economic Relations and Trade: "Discussing the Separation of Functions and Responsibilities of Government Administration and Enterprise Management in the Reform of the Foreign Trade System"]

[Text] On the eve of celebrating the 35th anniversary of the establishment of the PRC, the State Council approved the report of the Ministry of Foreign Economic Relations and Trade on the reform of our foreign trade system. This is an important event in the course of developments of our foreign trade. It creates favorable conditions for more successful development of our foreign trade and promotes construction of our four modernizations.

Since the third Plenum of the 11th CPC Central Committee, experimental reforms have been carried out in our foreign trade system to adapt to the new situation of opening up to the outside world and the reforming of our economic system. Initial successes have indeed been achieved in arousing enthusiasm in all quarters for the development of foreign trade, in broadening the avenues for import and export trade and in enlivening business operations. However, the practice of the last few years has also made it clear to us that the reforms of the foreign trade system carried out in the past have not been able to solve some fundamental problems, such as having administrative controls by the government remain intertwined with enterprise management, our low economic efficiency, and the lack of close coordination between industry and trade, resulting in incongruities between production and marketing.

Based on the guidelines and principles regarding reform of the foreign trade system pointed out in the "Report on the Work of the Government" which Premier Zhao Ziyang presented at the Second Session of the Sixth NPC, the present report by the Ministry of Foreign Economic Relations and Trade on reform of the foreign trade system constitutes a summing up of the practical experiences in the reform of our foreign trade system during the last few years. It absorbed the lessons drawn from our experiences in the preceding period of reforms and points to a correct direction for further reforms and reform measures that are suited to the national conditions of China. We can say that it is a big and important step forward in the direction of establishing a foreign trade system with Chinese characteristics.

An item of particular importance in the present reform of our foreign trade system is the separation of the functions and responsibilities of government administration from those of enterprise management.

The failure to separate administrative functions from enterprise management is one of the major defects in China's economic system. Due to the failure to separate government administration from enterprise management, enterprises had been mere accessories of the administrative organs, had thereby suffered restrictions and had been unable to bring their vitality and enthusiasm for production and business operations fully into play, but had remained at a low level of economic efficiency. The administrative organs had spent much time and energy in making microeconomic policy decisions on behalf of the enterprises and in involving themselves in the business operations of the enterprises, while weakening or even abandoning administration of the enterprises as representatives of the state in all macroeconomic respects, unable to concentrate their efforts on the study and determination of guidelines, policies, measures, programs, etc.

The state and the enterprises have different functions, and this difference is being obscured in a system that does not separate administrative functions from those of enterprise management. In socialist China the state must play its role of administering, supervising and guiding enterprises by means of the plans, the law, state policy and various measures of economic administration. However, socialist state ownership or public ownership does not mean that the state organs should willfully interfere or infringe upon the self-determination of enterprises in business operations. The various restrictions by central and local administrative organs robbed enterprises of vitality, and the additional serious egalitarianism that ideologically guided our distribution was the evil consequence of "everyone eating from the big pot." In the reform of our economic system, the separation of administrative functions from enterprise management has become a crucial problem.

The separation of administrative functions from enterprise management in our foreign trade system has equally created serious defects, which are also crucial points in our present reform of the foreign trade system.

To accomplish the separation of administrative functions from enterprise management it is necessary to clarify the different tasks of the foreign trade enterprises and those of the departments charged with the administrative controls for the state.

In carrying out the separation of administrative functions from enterprise management, the tasks of our departments at all levels in charge of foreign trade are particularly such work as overall planning, coordinating activities, rendering service, supervising, determining policies and drawing up plans, so as to promote the development of foreign trade. The Ministry of Foreign Economic Relations and Trade represents the government in unified guidance and responsible control of all foreign trade conducted by the whole country, and is the administrative organ in charge of every kind of foreign trade enterprise. Its function is to fully exercise state control over foreign trade. It should arouse enthusiasm in every quarter, but also show unity



toward the outside world, and should effectively utilize administrative and economic means to promote the development of foreign economic relations and trade. The administrative organs will mainly be responsible for studying and determining guidelines and policies of foreign trade and devising a system of procedures, and furthermore for supervising and urging implementation of these among the various enterprises. They are responsible for drawing up developmental plans for the country's entire foreign trade and preparing annual plans, and furthermore for supervising and checking the conditions of plan implementation. They are in charge of determining trade policies for each country, of initiating trade discussions between governments, signing trade agreements and organizing their implementation. They are in charge of examining and approving the setup of the various kinds of foreign trade enterprises and of effecting their mergers or dissolutions. They are to draw up and apply measures of rewards or penalties for enterprises, to approve and issue import licenses, control allocation and limitation of import and export commodities, examine and approve contracts for importing or exporting key technologies, examine, approve and administer the establishment of China-branches of foreign trade firms, manufacturers and transport agents. They are also to determine economic measures for the regulation of import-export trade and to supervise and check the business conduct of all the various foreign trade enterprises, etc. All these activities are administrative functions of the government; they are administrative tasks demanded by the macroeconomic concerns of the state.

After separation of administrative functions from enterprise management, the various import and export enterprises must develop in the direction of specialization and socialization. They must operate independently and accept full responsibility for their own profits and losses, indeed constitute economic entities. All these enterprises must conscientiously implement and carry out the state's guidelines, policies and relevant laws and regulations concerning foreign trade, accept the unified administrative controls by the Ministry of Foreign Economic Relations and Trade, assume the import-export plan tasks determined by the state, and establish responsibility systems that embody responsibility, authority and profits. Applicants for new export-import enterprises or enterprises newly requesting permission to engage in foreign trade must obtain approval from the Ministry of Foreign Economic Relations and Trade before they may register with the departments concerned and before they may start activities within the approved sphere of business operations, independently and with full responsibility for their own profits and losses. Import-export enterprises must all practice the managerial responsibility system or a managerial responsibility system under the guidance of a board of directors. Corporations and enterprises shall be free to manage their internal affairs by themselves; the administrative departments shall not interfere in the specific business operations of the enterprises. The enterprises shall establish mutual relationships among themselves according to the principle of voluntary cooperation.

It is obvious that after separation of administrative functions and enterprise management in our foreign trade work, after a clear distinction between enterprise and administrative functions, when each side will assume its own responsibilities, the tasks of each side will have become more weighty and

not lighter. The Ministry of Foreign Economic Relations and Trade will exercise unified leadership and be in charge of administering all foreign trade throughout the country and all foreign trade enterprises. The bureaus (commissions) of foreign economic relations and trade in the various provinces, autonomous regions and directly administered municipalities shall also exercise administrative controls and carry out all measures of policy and economic regulation. The various import-export enterprises, on the other hand, shall work hard to fulfill state plans, carry out policies and raise economic results. If they are successful in their business operations, their profits will go up, and apart from being able to pay taxes, they can increase their accumulations, increase welfare and wages for their staff and workers, raise the enthusiasm of their staff and workers and further develop their business operations on a much larger scale.

The separation of administrative functions from enterprise management is one of the principles of our economic reform. Separation of administrative functions from enterprise management will, therefore, be gradually carried out in all foreign trade enterprises, regardless to which department or to which locality they originally belonged. There must be no development in the opposite direction, or separation carried out in one sector while another sector might fail to carry it out.

We can foresee that the separation of administrative functions and enterprise management in foreign trade work will add vitality to our enterprises and help develop our foreign trade, while the strengthening of administrative controls will, on the other hand, attune the business operations of our enterprises to the demands of our macroeconomic concerns.

Overseas friends of our foreign trade, on hearing of the above-stated reforms, have pointed out what benefits and advantages can be gained from the reforms as far as future business with China is concerned. In my opinion, after our foreign trade enterprises will have gained a fairly large measure of self-determination, after coordination will have been achieved between industry and trade and between technologies and trade, and after import-export trade will have gradually instituted agency systems, a completely new situation will emerge. First, every foreign trade enterprise will be able to speed up policy decisions in all their import-export operations, which will mean greatly increased efficiency and shortening business negotiations with foreign trade partners, an advantage of benefit to both sides. Second, to be successful in their business operations, the enterprises will pay more attention to investigation and research, will take note of market information, which they will promptly transmit to production enterprises and elicit feedback; they will urge upgrading and updating products, improvements in quality, increasing assortments and varieties, better compliance with the demands of the market, and prompt introduction of advanced technologies and equipment, so that our import-export trade will rapidly develop. Third, after direct coordination of production and marketing, there will be improvements in product prices as well as in delivery terms, which will be one step further toward complying with the demands of our customers abroad. Some of our friends have also suggested that after the reform of our foreign trade system, enterprises will increase and there will be larger numbers of business units; will this not

throw our original trade channels into confusion? Though it is true that our import-export enterprises will possibly increase, this will be a turn for the better, as it will help expand business with overseas trading circles. However, all the various import-export enterprises will have a certain sphere of business operations designated in their statutes, and all will develop toward specialization and socialization and will not be traders going in for just any and all kinds of business undertakings. Speaking of certain types of commodities, whether in the import or export trade, certain enterprises will be designated to engage in that particular branch of business. Moreover, if the number of enterprises is appropriately increased, it will invite competition and there will be no further monopolies. This will also contribute to better service and enable better selections to be made by domestic production enterprises and by overseas customers, choosing only the best import or export companies as business partners for long-term business cooperation. This will also be a significant factor.

The Sixth 5-year Plan is about to be fulfilled next year. The Seventh 5-year Plan for 1986 and 1990 will be unfolded on an even larger scale. Further progress in opening up to the outside world and reforming our economic system is an important link in the development of our four modernizations.

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FOREIGN TRADE AND INVESTMENT

NEW TARIFF REGULATIONS GO INTO EFFECT 10 MARCH

OW122317 Beijing XINHUA Domestic Service in Chinese 0305 GMT 6 Mar 85

[Text] Beijing, 6 Mar (XINHUA)--The new "Regulations of the People's Republic of China on Import and Export Duties" [zhong hua ren min gong he guo jin chu kou guan shui tiao li 0022 5478 0086 3046 0364 0735 0948 6651 0427 0656 7070 4451 2742 0173] and the new "Customs Import and Export Tariff of the People's Republic of China" [zhong hua ren min gong he guo hai guan jin chu kou shui ze 0022 5478 0086 3046 0364 0735 0948 3189 7070 6651 0427 0656 4451 0463], examined and approved by the State Council, will come into effect on 10 March. The "Customs Import and Export Tariff of the People's Republic of China" and the "Provisional Regulations of the People's Republic of China for Implementation of Customs Import and Export Tariff" promulgated by the Government Administration Council in 1951 will be rescinded at the same time.

The newly formulated "Regulations on Import and Export Duties" and the revised "Customs Import and Export Tariff" embody the policy of opening to the outside world and the principles of encouraging exports, increasing imports of necessary goods, promoting and protecting the development of the national economy, and ensuring state revenue from customs duties. This is an important step taken in coordination with the reform of the economic structure and in perfecting the tariff system.

The new "Regulations on Import and Export Duties" have been formulated on the basis of experiences over the past 30 years and more in enforcing the "Provisional Regulations for Implementation of Customs Import and Export Tariff" and according to the needs of implementing the policy of opening to the outside world and of perfecting tariff legislation. The "Regulations on Import and Export Duties" are basic legislation. These regulations stipulate the basic tariff system and the rights and obligations of the customs duty payer, and the "Customs Import and Export Tariff" is a component part of such regulations. Thus, the tariff is fairly systematized for unified implementation.

In the revised "Customs Import and Export Tariff," import and export duty rates have been readjusted to a considerable extent. First, low duty rates have been set for new materials, new technological equipment, and data processing equipment that must be imported to develop new technology. Second, duty rates for raw and processed materials, especially those which because of limitations by natural conditions cannot be quickly produced domestically to meet our needs in a short time, have been considerably reduced. Third, import duty rates for foodstuffs, food ingredients and other related materials have been appropriately reduced in order to meet the needs of developing the tourist industry and improving the

people's living standards. The import duty rates for a small number of products, for which there is a large price difference between the domestic and foreign markets or for which domestic output can essentially meet basic needs, have been properly raised. In general, the tariff rates have been lowered. It is estimated that the average revised tariff rate has been lowered by nearly 10 percent as compared with the prerevision rates.

Under the new customs import and export tariff, the dutiable items are arranged in accordance with the Customs Cooperation Council's Classified Commodity Catalogue which is internationally used. At the same time, some specific items have been added according to China's actual conditions in import and export. This not only shows the special features of China's customs import and export tariff but also facilitates making comparisons and analyses between China and foreign regulations and the promotion of economic relations, trade, and technological exchanges with foreign countries.

In a circular issued on the promulgation of the "Regulations on Import and Export Duties" and the "Customs Import and Export Tariff," the State Council pointed out: The tariff policy is unified in nature in dealing with imports and exports. Tariff revenue belongs to the central government, and the levying, reduction, or exemption of tariffs is handled by customs authorities in a unified manner. No department or region should make unauthorized decisions to reduce or exempt tariffs. The customhouse should perfect its system, improve the quality of its cadres, strengthen its management of tariff revenue, levy tariffs according to appropriate tariff rates, reduce or exempt tariffs according to law, strictly abide by regulations in giving rebates or getting overdue tariffs, and promptly turn in the tariff revenue to the state treasury in order to ensure the effective implementation of the "Regulations on Import and Export Duties" and the "Customs Import and Export Tariff."

CSO: 4006/472



## FOREIGN TRADE AND INVESTMENT

### BENEFITS OF FOREIGN CAPITAL USE ON SHENYANG'S INDUSTRIES NOTED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 12, 27 Dec 84 pp 29-31

[Article by Xiao Bai [2556 4101]: "Shenyang Industry Advances by Utilizing Foreign Funds To Introduce Technology"]

[Text] The past year of economic construction has made Shenyang, an old industrial base built in the 1950s, radiate with youthful vigor. Economic construction is thriving and Shenyang has had a greater role as an industrial base. Shenyang, the largest economic city in northeast China and one of the country's most important industrial bases, has liberated its thinking, boldly utilized foreign funds, introduced advanced foreign technology and equipment, transformed the technology in old enterprises, and developed burgeoning industries and new products.

#### The Face of the Old Industrial Base

Shenyang is a comprehensive industrial city centered around the machine-building industries. During the First 5-year Plan, Shenyang was a key city for investment and construction. In that period, the helicopter, new style machine tool, pneumatic tool, electric wire and cable, heavy mining equipment, common and electrical machinery and equipment, and other machinery manufacturing industries were established. In the last 1950s and the early 1960s, the coal, electric power, iron smelting, coking, steel sheeting and seamless steel pipe rolling industries, and other raw materials, fuels, motorized, and car and tractor manufacturing industries were set up. The early 1970s was a time for the three large synthetic materials, electronics and other burgeoning industries. Therefore, Shenyang has developed into a complete and comprehensive industrial city centered around the machine-building industry, including the metallurgy, chemical, light and textile, construction materials and electronics industries.

Shenyang has a rich industrial production base. It plays an important role in the state economy. Nevertheless, due to destruction during the "ten years of turmoil," and the effects of other things, the quality of enterprises is low, economic results are unremarkable and the development of industrial production has wavered for 10 years. This is primarily seen in:

1. Equipment is old and techniques are backward. In 1957 Shenyang had the highest ratio of new to old fixed capital assets (i.e., the net value of fixed capital assets) at 73.6 percent. By 1978 the ratio was only 52.9 percent, the lowest of the country's 13 relatively large cities. Industrial enterprises had ratios as low as 50 percent. The whole city has an industrial construction area of 12 million sq m, of which 470,000 sq m, or 39 percent, desperately need to be transformed right now. Fifteen percent of the figure is a critical area that cannot meet the needs of developing industrial production.

2. Product quality is low and the competitiveness of goods is poor. A quality study of 390 kinds of goods in 52 key enterprises revealed that 6 items, or 1.52 percent, were up to advanced international standards; 153 items (38.9 percent) were up to advanced domestic standards; 180 items (47.8 percent) had no competitiveness in China; and 46 items (11.7 percent) need to be eliminated through competition.

3. The pace of technological transformation and technology introductions is slow. In the last few years there have been very few technology introduction projects, and only \$28.73 million in foreign exchange has been utilized. In the same period Guangzhou had more than 13,000 such projects at an investment of 840 million yuan.

#### Do All That Can Be Done To Catch Up and Accelerate Introductions

Since implementation of the open door policy in Shenyang, foreign economic and technological cooperative exchanges have grown by leaps and bounds. From 1979 to 1983, nearly 100 of Shenyang's enterprises started 134 economic cooperation projects of various types with foreign businessmen. Eleven of them were for licensed trade; 4, cooperative production; 12, leasing trade; 4, assembly of client goods; 3, joint ventures and 7, compensatory trade projects. Shenyang's industry has made noteworthy progress due to the joint efforts of both Chinese and foreigners.

1. Shenyang promoted technological progress and greatly improved the technological level of some factories. For example, in 1979 the Shenyang Clothing Industries Co began utilizing compensatory trade and other methods to introduce 2,884 Japanese, American and FRG specialized clothing production equipment units because of China's opening to the outside world, the increasing standard of living, medium and high quality clothing, and an increasing amount of clothing sold abroad. The original productive power, and production equipment in particular, cannot satisfy the demand for clothing. The introduction of foreign equipment has enabled the clothing equipment in key industries to reach advanced levels. The workmanship is meticulous and the quality is excellent. Overseas markets have been opened and the goods are sold on five continents. The volume of exports has grown 10 percent or more each year. Due to the introduction of advanced equipment, clothing cutting and tailoring are now done with electricity, there is steam pressing, packaging is containerized, making production more programmed, standardized, and systematic.

2. Introducing technology promoted the upgrading of goods, improved production quality, and strengthened the competitiveness of goods. In the past year the quality of Shenyang's goods has greatly improved. This year Shenyang received as many state gold and silver awards as the previous two years combined. The majority of products that won national quality awards were made with imported technology and equipment. The Shenyang Water Pump Works introduced manufacturing technology for boiler pumps, force revolving pumps and vertical sprinkling pumps from the Federal Republic of Germany and Japan. After less than two years of cooperative production they completed trial production of three 300,000-kw boiler feed water pumps. The pumps fully meet quality standards, having passed domestic and foreign appraisals and delivery inspections. To develop such pumps independently would take at least 10 years. The Shenyang Water Pump Works stressed study and acceptance, and drawing on the experiences of others. It applied the imported advanced technology to the transformation of old products and the development of new ones. There are now 25 products that are at the level of goods from the late 1970s or early 1980s. After 1,937 high efficiency energy saving pumps produced in 1983 in 16 styles are put into service they can save the state more than 300 million kw of electricity per year. The value of this savings is approximately 20 million yuan. D130-150 oil field high pressure water flooding pumps won the 1983 gold seal of quality. Other varieties of goods were named top quality by departments and provinces.

3. Technology introductions raised economic results. The upgrading of production equipment and improvements in production have brought about improvements in production levels and increased economic results. In 1980 the Shenyang Light Bulb Plant introduced H-24 style bulb blowers from the Japanese Juyu Denki Shoshi Kabushiki Ltd, resulting, resulting in big improvements in productivity and economic results. In the past, 1,361 bulb shells were needed to produce 1,000 bulbs. Only 1,132 are needed now. In the past, two tank furnaces supplied three domestically made bulb blowers to make the bulb shells. Now only one tank furnace supplied to one imported machine plus a spinning machine are used. This saves 1,800 tons of oil, 4,000 bottles of oxygen, and 13 workers per year. Importing the H-p24 style bulb blowers increased profits by 1.3 million yuan per year. From 1979 to the end of 1983, Shenyang's industry had a net increase in output value of 314,354,000 yuan per year. Profit tax revenues increased 74,162,000 yuan and \$39,864,000 in foreign exchange was earned.

4. Shenyang improved and strengthened business management. The adoption of various forms of technological cooperation and business management promoted and strengthened business management. Some businesses had a fundamental change in the business management system. The Shenmei [Shenyang-American] Everyday Products Co, Ltd, adopted its management system from the American Gillette Co. It is a small organization with skilled workers. Under the leadership of the general and vice general manager, there are four departments: development, production, finance and personnel. Each department has only a few workers. One person does several tasks. This

strengthens the workers' feelings of responsibility and improves work efficiency. The company implemented a contract system for worker management, destroying the "iron rice bowl." Regarding product quality, they set up a highly effective quality control system. They utilized Gillette's advanced cost management experience to control costs and have practiced cost accounting procedures with noteworthy results.

In the past year Shenyang achieved major progress by adopting various flexible trade methods, such as joint venture and cooperative production to directly utilize foreign capital and introduce the advanced technological transformation of old enterprises. Prior to the beginning of the Shenyang International Economic and Technical Negotiations Conference in mid-September, business agreements were signed for 34 projects involving direct foreign investments worth \$25.6 million, more than three times the figure for the entire preceding year.

After the Sino-American joint venture for razor blades went into operation, the Japanese Mitake Optical Research Co., Ltd, invested \$590,000 in a joint venture with the Shenyang Optical Electronics Instrument Works. They signed a contract to produce wide angle and zoom camera lenses. The Hong Kong Yonghe Trade and Technical Corp and Shenyang's Electronics Industry Co signed a joint venture contract to open the Shen[yang] Optical Electronics Co, Ltd, in Shenzhen. They will jointly produce and sell electronics goods imported for processing and assembly. After repeated talks with foreign businessmen, the Pneumatic Tool Plant and Grain Depot No 3 signed contracts to utilize a Swedish government loan of \$3.31 million and an Italian government loan of \$2.85 million, respectively.

#### Progress Made by Leaps and Bounds; Broad Prospects

In the utilization of foreign capital to introduce technology, Shenyang has made progress by leaps and bounds and has ever broader prospects. Shenyang has not only a solid industrial base and complete types of industry but also offers the conveniences of transportation and geography. The Northeastern Plain is behind it to the north, and Dalian, Yingkou and other good ports are to the south. Railroads and highways extend in all directions going to sea and back with ease. Shenyang has abundant natural resources and a suitable climate. More importantly, Shenyang also has the advantage of being a potential central locus. It is located in the center of a group of cities within a 100-km radius of the steel capital Anshan, the coal capital Fushun, the iron and steel city Benxi, the chemical fiber city Liaoyang, and the grain and coal area of Tieling. These factors were richly endowed by nature for Shenyang to use foreign capital and introduce technology. Based on these factors, the Shenyang Planning Committee proposed this timely strategy: "Promote Shenyang, make Liaoning prosper, serve the whole country and march out into the world." The committee proposed introducing technology, utilizing foreign funds and having joint ventures as the main ways to transform old enterprises, develop burgeoning industries and speed up the pace of the overall "Seventh 5-year Plan" for the old industrial base. The central government has examined and approved implementation of

separate planning for Shenyang. Shenyang's pace of opening to the outside world will be faster. In the "Seventh 5-year Plan" Shenyang proposed 401 projects to introduce technology, or 58 percent of the overall transformation projects. The emphasis is on developing the seven new industries of microelectronics, robots, lasers and vacuum equipment, nuclear energy machinery, and the comprehensive utilization of oil, gas and coal resources; on changing excessive traditional management to modernized management; and on forming 10 national production bases for machine tools, transmissions, common equipment, light automobiles, microcomputers, pharmaceuticals, precision machinery and the chemical industries. Shenyang bears an important responsibility to provide technology and equipment to various state economic departments and to the state's key construction projects. Just as the mayor of Shenyang, Li Changchun [2621 7022 2504] said, "We hope that our friends and you gentlemen from industrial and financial circles throughout the world will work together with us in true cooperation to achieve new successes!"

12615

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4 April 1985

## FOREIGN TRADE AND INVESTMENT

## INTERVIEW WITH CHINATEX PRESIDENT ON COMPANY REFORMS

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 12, 27 Dec 84 pp 7-8

[Article by Zong Ruiyu [1350 3843 3768]: "President Zhu Youlan Discusses Questions on Reforming the China National Textile Import and Export Corp"]

[Text] The China National Textile Import and Export Corp [Chinatex] has taken the first steps as a reform unit of the foreign trade system, based on the spirit of reform and with the approval of the State Council. Towards this end, our reporter paid a call on the company's president, Zhu Youlan [4281 0645 5663], and asked her to discuss the differences the reform will make regarding business management. The main points of President Zhu's responses to these questions will follow.

#### Politics and Business Kept Separate

President Zhu said that the key points of this reform are to keep politics and business duties and responsibilities separate and to simplify policies and give more authority. Once politics and business are separated, the company and its subordinate branches will become economic entities that have independent legal status and are centered around the import and export trade. The company's hands will be untied, the bindings of various barriers and administrative meddling will be cast off, the business will be run independently and profit and loss will be the company's own responsibility. Under the guidance of the relevant state principles, policies, decrees, and regulations the company will have the authority to devise business strategies and the forms, channels and prices of purchases and sales, fund utilization, capital management, equipment installation, cadre deployment, personnel assignments, wage and bonus distribution, and domestic and foreign operations. Based on the demands and changes in the international market and the possibilities and developments of domestic production, the company will develop various forms of trade with flexibility and initiative, such as work and trade together, Sino-foreign joint ventures, production-marketing and import-export alliances, agent services, compensatory trade and commissioned processing.

#### Policies Simplified, Authority Delegated

Regarding the relationship between the main and branch companies, President Zhu said that after the reform the main company will simplify policies and delegate authority to the branches. Except for deals jointly concluded with

the main company for a small number of goods, the rest will be independently controlled by the branches. Each will bear profits and losses, uniting responsibility, authority, and benefits in one. Thus, the branches will have expanded authority and at the same time bear a responsibility that stimulates them into action.

#### Business Management

President Zhu said that the new thing about this reform regarding management is that the company will gradually become an agent producer and an agent for orders from export and import departments. This will create an organic relationship between the company and producers, enabling producers and marketers to make contact. Hereafter, the producers can have greater participation in foreign business affairs, have market contacts, and understand the needs of consumers and markets so as to produce more marketable goods and thus ensure the smooth implementation of contracts and product quality. For the company, this means it should have a better understanding of production and provide excellent service in terms of technology transformation and introductions to producing enterprises. In this way, industry and trade will be coordinated and linked up. Each will be responsible, so each can develop its own strengths to utilize information resources and jointly develop goods needed on the international market, expand trade and improve economic results without letting time or opportunities slip by.

Regarding internal company management, president Zhu said that in order to motivate and develop the zeal and creativity of the broad masses of workers, a cadre responsibility system has been set up in every level of the company. The company will set up and perfect this system and a system of job responsibility, as well as various economic management systems. The industrious will be awarded and the lazy punished. Therefore, every level of management is authorized to distribute prizes and bonuses and to determine awards and punishments. This includes bonus distribution, popularizing awards, and various disciplinary actions. In the future bonuses will be distributed according to the contribution of each person. Bonuses will not be conferred to the top echelons nor will the lowest rungs be protected.

Regarding the problem of the president's responsibility system, she said that after the reform, whoever the president of Chinatex is, that person will have a great responsibility. Nevertheless, the company will have a workers representative meeting to strengthen the workers' democratic management of the company. Every level of the company's leadership must give reports to and be supervised by the meeting. The workers' representative meeting is further authorized to question and impeach all company presidents.

This very energetic female president had this to say just before the interview was concluded: It is absolutely essential that we reform the foreign trade system to implement the policies of opening to the outside

world and enlivening the domestic economy in a thorough and better way. The reform will have a great impact on developing trade and production. Chinatex is a test unit. We hope to make our own contribution from this reform by creating a new situation in the import and export textile trade.

Name list of Chinatex's Leadership

President	Zhu Youlan (F)
Vice President	Li Yinggui [2621 5391 6311]
Vice President	Wang Mingsheng [3769 2494 3932]
Vice President	Zhou Yunzhong [0719 0336 0022]
Vice President	Wang Gaifeng [3769 23985 7685] (F)
Vice President	Zhong Quansheng [6988 3123 4141]

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CSO: 4006/323

4 April 1985

## FOREIGN TRADE AND INVESTMENT

## HOW CHINATEX HAS RESPONDED TO CALL FOR REFORM

Beijing GUIJI MAOYI [INTERTRADE] in Chinese No 12, 27 Dec 84 pp 8-9

[Article by Dong Jing [5516 7234], China National Textile Import-Export Company: "Gratifying Changes Emerging from the Reform of the Foreign Trade System"]

[Text] The China National Textile Import-Export [Chinatex] is an experimental unit of the Ministry of Foreign Economic Relations and Trade in its reforms of the organizational system. Based on the spirit of the directives on economic reform issued by the Central Committee and the State Council, the reform of the organizational system of the textile corporation took the implementation of a separation of administrative functions from enterprise management firmly in hand and gradually carried out key points of organizational reform in instituting an import and export agency system and the integration of industry with trade and of technology import with trade. It had the courage to break away from old conventions and open up new avenues, and in merely 2 months has achieved gratifying changes.

I. The General Manager Set Up His 'Cabinet' and Courageously Took In New Men

According to the organizational reform plan approved by higher authority, the main establishment of the company now undergoing reforms instituted a general manager responsibility system. Apart from the general manager and the assistant managers being appointed by higher authority in charge, the leading cadres and all other cadres of the company are employed on a temporary appointment basis for a period of 3 years, but with the possibility that their employment will be extended. The directors and deputy directors for all branches of activities in the company, and of comprehensive departments, of the raw material company, of the auxiliary materials company as well as the heads and deputy heads of departments are employed by the general manager according to individual character and ability and according to need, which is a change from the past system of lifetime appointments of cadres. The intermediate-level positions of cadres of the company were courageously filled by the employment of new men, in addition to those cadres that were left in their jobs. The teams that were newly employed were quite different from those before the reform with regard to their level of education, age composition and specializations. The youngest among them was only 28 years old. There has nowhere been a similarly drastic reform of the cadre system in recent years.

## II. The Responsibility System Strengthens Enterprise Vitality

A key problem in the reform of the foreign trade system is strengthening the vitality of the enterprises. Following its reform, Chinatex as an enterprise is going to become an economic entity that enjoys self-determination in its business operations and assumes full responsibility for its own profits and losses. In the past, when administrative functions and enterprise management had not yet been separated, the company had lacked this self-determination, and many questions in the course of business operations had to be referred to higher authority for decision. After the reform, the company has become a relatively independent economic entity with the status of an independent juristic person. Because of the independence in business operations, bearing all responsibility for their own profits and losses, the cadres at all levels and the company's many staff and workers are deeply conscious of their heavy responsibilities. The gratifying change has now come about that every single individual pays close attention to the business operations of the enterprise, considers the economic results of the enterprise important and feels concern for the fate of the enterprise. Import and export business has progressed one step further, so that by 20 October the exports of textiles have fulfilled this year's export plan by 120.7 percent, with an increase of 33.3 percent in the value of exports over that of last year. At the same time export costs have been effectively lowered by a large margin so that economic results were markedly increased.

## III. Rewards for Excellence and Penalties for Inferior Performances; Shattering the Method of Eating From the Big Pot in the Matter of Bonus Distributions

After its consolidation, Chinatex established various forms of economic responsibility systems and systems of personal responsibilities for one's post and in compliance with the demands of the reform began to gradually break down the egalitarian method of all eating from the big pot in the field of bonus distribution. When issuing bonuses for special performances in September on the occasion of fulfilling the year's export plan target 4 months ahead of time, they spaced out qualities of performance and rewarded the diligent while penalizing the tardy. For one, they practiced no egalitarianism between bureaus (departments) and issued larger bonuses to those who had been more successful in accomplishing their tasks and less to those who had performed poorly, a complete change from the "eating from the big pot" method of the past. Furthermore, they practiced no egalitarianism within the bureaus (departments), but had each person's work performance and contribution evaluated by the responsible person in the bureau (department). By giving more for more work and less for less work, this was an excellent demonstration of the principle of distribution according to work performance. In order to closely link the issue of a bonus with the responsibility borne and work accomplishments, they will institute duty allowances for leading cadres and special item bonuses for staff and workers who have made special contributions. They will also start reforms of the labor system and in other spheres.



#### IV. Holding Talks Between Industry and Trade To Actively Explore New Ways of Integrating Industry with Trade

To adapt to the new situation that will arise after the reforms, Chinatex strengthened its work of integrating industry with trade and technology import with trade. This will benefit the technological transformation in commodity production, the upgrading and updating of products, production arrangements, marketing abroad and will ensure supplies of textiles for export at the right time thus guaranteeing the smooth progress of our export business. Chinatex and its affiliated companies are actively launching discussions between industry and trade. In the last week of September the Shanghai branch of Chinatex held industry-trade talks with the relevant factories on the subject of cotton yarn and cloth for export, having invited 69 factories. Industry and trade made arrangements regarding the assortments and quantities of cotton yarn, cotton cloth and polyester-cotton yarn and cloth available for export next year. According to varying conditions of production and marketing of the different products, in only 3 days purchase agreements and documents of intention were signed to the value of 1.48 billion yuan, an increase of 28.7 percent over the plan requirements of 1984. Both sides, industry and trade, agreed that this meeting was actually an excellent form of integrating industry with trade on a large scale in a direct arrangement between the economic entities of the factories and those of foreign trade. It broke away from old conventions and the old order in the procurement of commodities and opened up a new road of direct contacts between production and marketing, of establishing mutual channels of information and of better mutual understanding. It built closer relations between industry and trade, with benefits in the field of production arrangements, and also saves time and raises work efficiency, bringing advantages for both, for industrial production as well as for the export trade. Expressions by many of the factory representatives were: "Doing it this way seems a bit like changing from a pure production pattern to a more businesslike pattern." "If the foreign trade departments submit their demands of assortments and quantities for the whole year directly to the factories, it gives our factories something to go by in our production for 1 year." "The assortments and quantities that the foreign trade departments put forward are really commodity information from foreign markets; we certainly must pay attention to this information, must comply with this information and as far as possible satisfy the requirements of the foreign trade departments." The production and marketing agreements for a whole year signed at the said meeting between the factories and the commodity trading department of the Chinatex branch are also creating favorable conditions for the gradual buildup of our legal system in the field of economics and constitute a new probe and a new breakthrough for the future integration between the entities of industry and trade.

#### V. Actively Prepare Discussion Meetings on Technological Cooperation, Further Expand Technological Interchanges with Foreign Countries

The said company decided to hold a "Discussion on Technological Cooperation in the Production of Chinese Textiles" toward the end of November this year, which will focus on the utilization of foreign capital for the importation of technologies and as such will be the first of its kind in the field of

textiles. The purpose of the said meeting is to promote the integration of industry with trade, the integration of technology import with trade, to raise the technological level as well as to increase quantities and quality of our export textiles, increase their designs, colors and assortments and expand our export trade. Preparatory work is now being actively pursued. They have indicated that they intend to use foreign investments to promote technological transformations in the industry, renovate equipment, change the composition of our export commodities, raise the quality of our products and achieve success by improving quality and by producing goods that are better suited and more competitive, establish close integration of production with marketing and have the interests of both industry and trade move along in the same direction on this new foundation.

Inspired by the spirit of the Third Plenum of the 12th CPC Congress, the large number of staff and workers of Chinatex are currently freeing themselves of old ideas, summing up experiences and actively and solidly carrying out one step further the experimental work of reforming the organizational system of the company.

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CSO: 4006/388

FOREIGN TRADE AND INVESTMENT

SWEDISH INDUSTRY BITTER AT LOSING PRC ORDERS TO FRG, FRANCE

Stockholm DAGFENS NYHETER in Swedish 20 Feb 85 p 10

[Article by Kerstin Kall: "No Large Orders Across the Wall"]

[Text] Swedish industry has lost several large competitive bids in China lately. Ericsson lost out on a bid valued at one half billion kronor in Beijing. Asea is out of the picture with respect to a water-generated power project in Lubuge and a large order for locomotives and a high-tension direct current power line went to Siemens, West Germany.

"Sweden did not get the market share we had expected to get from our efforts in China," said Ingmar Mjoman with Ericsson. "We are disturbed about this development. Exportation to China is declining, while importation is growing."

During the period January through October 1984, the value of our importation rose from 516 to 593 million kronor, while the value of our exported goods declined from 743 to 713 million kronor.

The Swedish-Chinese Trade Council is also very much concerned. Was there anything wrong with Sweden's marketing efforts?

"We have learned that the Chinese did not fully understand that Swedish industry is capable of handling the same size orders as the Japanese and the West European," said Ulf Gerbjorn with the Swedish-Chinese Trade Council. "We fear the Chinese did not understand how competitive we are."

Swedish industry is well out in front when it comes to smaller orders. "But it seems as if the Chinese are reluctant to give Sweden large orders," said Gerbjorn.

Many Visitors

During the past year, there has been a steady stream of visitors in both directions between Sweden and China: cabinet ministers have lined up in support of the big projects, but none of the bigger ones have been awarded to Swedish industry.

The contract for digital telephone exchanges in Beijing, valued at 500 million kronor, went to CIT-Alcatel in France.

"Still, our bid was very competitive," said Mjoman. "Our price was lower, and I believe that our technical quality is better. But, obviously, other factors were taken into consideration."

With respect to the large water-generated power project in Lubuge, on which Asea has spent much time and money, it appears that the order for turbines will go to Kvaerner in Norway, and the rest to West Germany.

"There has been an unprecedented struggle as far as the cost was concerned," said Ragnar Svedebrand, who has made many long trips to China to try to land the contract. "Norwegian industry got more help from the authorities with respect to export subsidies than we did."

The contract for a high-tension direct current power line between Gehoba and Shanghai went to Siemens, West Germany.

#### Locomotives Studied

And Sweden is also out of the picture concerning the large order for locomotives, which Asea had very much hoped to get, despite the many Chinese delegations that came here to study the Asea locomotives.

No decision has yet been made as to who will get the contract, but the final struggle is now reported to be between a Japanese and a West German consortium.

Sandvik is presently working on 10 projects in China, altogether valued at between 100 and 150 million kronor. Hans Forsberg with Sandvik International will go to Tianjin next Sunday to continue negotiations there concerning a mountain-drill factory and a steel mill.

For a long time, Sandvik has also been negotiating the modernization of a hard-metals factory in Tianjin, but seems to have lost the bid.

"But this was due to costs," said Forsberg. "We are still hopeful as far as our other projects are concerned."

In any event, the exchange of visitors between Sweden and China remains undiminished.

#### Will Head Delegation

Minister of Communications Curt Bostrom will head a large transportation and telecommunications delegation to China 15 March.

The following month, Minister of Energy Birgitta Dahl will join an energy delegation to China. A Swedish remote heating delegation will leave for China

at the end of April, and so will a Swedish mine delegation. At least this many Chinese delegations will be arriving in Sweden this spring.

"Based on our marketing efforts in China, I do not feel we should give up now, but hold on a little longer," said Eskil Lundberg with the Swedish embassy in Beijing.

He does not really subscribe to the theory that we fell short in marketing Sweden's competitiveness.

"Considering the number of high-level Chinese visitors to Sweden, there can be no doubt about our capacity," said Lundberg, who just now is visiting Sweden.

"The fact of the matter is simply that the competition in China today is tough and serious. The entire western industrial world is there competing for contracts."

The Swedish-Chinese Trade Council is considering whether Sweden perhaps should concentrate its marketing efforts in smaller Chinese provinces and cities.

"It should be kept in mind that they too have huge populations," said Ulf Gerbjorn.

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CSO: 3650/177



## FOREIGN TRADE AND INVESTMENT

### FUJIAN ENTERPRISES INTRODUCE FOREIGN TECHNOLOGY

OW100420 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 7 Mar 85

[Text] Fujian's village and town enterprises have made rapid progress over the past 5 years in introducing technology from the outside world. A total of 8,500 technological items and equipment have been introduced during that period involving a total of 95 million yuan.

The methods for introducing outside technology have expanded from more reciprocal trade in the past to joint ventures, production and technological cooperation, and others. The departments introducing foreign technology have increased from mainly the service trades to include the hardware, machinery, electronic, plastic, food, animal feed, and other industries.

The sources of capital have also expanded from funds raised by the enterprises themselves and bank loans to foreign capital, capital from overseas Chinese, and other sources. The localities introducing technology and equipment from the outside have gradually extended from the coastal regions where the returned overseas Chinese are concentrated to the inland regions.

As a result of the stepped-up introduction of advanced technology and equipment, our province's village and town enterprises have accelerated reform, raised economic results, and expanded their share in the province's total industrial and agricultural output. At present, there are over 120,000 village and town enterprises in our province which account for some 40 percent of Fujian's total rural economic revenue.

CSO: 4006/472

FOREIGN TRADE AND INVESTMENT

BRIEFS

LIAONING-ILLINOIS COOPERATION TIES--Liaoning Province and Illinois, the United States, held a ceremony to sign an agreement on further strengthening friendship ties and economic and technological cooperations at the Fenghuang Hotel on the evening of 14 March. Respectively, on behalf of the Liaoning Provincial Government and the Illinois State Government, Governor Quan Shuren and Governor Thompson affixed their signatures to the agreement. Attending the ceremony were leaders of Liaoning Province and Shenyang City, including Dai Suli, Wang Guangzhong, Zhang Tiejun, Xie Huangtian, Tang Hongguang, Sun Qi, Zhang Zhiyuan, Peng Xiangsong and Li Changchun. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 14 Mar 85 SK]

LIAONING IMPORTS TECHNOLOGY--In the first 2 months of 1985, Dalian City made 49 transactions on technology imports, compensation trade, and joint ventures and its transaction volume reached \$32.6 million. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 12 Mar 85 SK]

CSO: 4006/472

4 April 1985

## SPECIAL ECONOMIC ZONES

## XIAMEN ECONOMIC ZONE TECHNOLOGY IMPORT RULES

OW160933 Fuzhou FUJIAN RIBAO in Chinese 24 Feb 85 p 2

[Text] Xiamen Special Economic Zone Technology Import Regulations (adopted at the Eighth Session of the Standing Committee of the Sixth Fujian Provincial People's Congress on 14 July 1984)

Article 1. These regulations are enacted in accordance with the relevant laws and regulations of the People's Republic of China.

Article 2. These regulations apply to the import of technologies by enterprises, establishments, and other economic organizations in the Xiamen Special Economic Zone (hereinafter referred to as the recipient) from enterprises and other economic organizations or individuals in foreign countries, Hong Kong, Macao, and Taiwan (hereinafter referred to as the supplier) when the recipient gives compensation to the supplier for such imports.

Article 3. The imported technologies must be suitable and advanced, and have conspicuous economic benefits. They include:

- 1) Technologies with valid patent rights;
- 2) technologies for which patent rights are being requested; and
- 3) proprietary technologies.

Article 4. Imports are prohibited to technologies which are:

- 1) Harmful to social order or in violation of social ethics; and
- 2) destructive to ecological equilibrium, or harmful to the environment.

Article 5. Technological imports may be conducted in the following ways:

- 1) Licensed trade;
- 2) technical consultations or services;
- 3) Patented and proprietary technologies used as investment shares, or for cooperative projects, with the recipient;
- 4) compensatory trade or cooperative production; and

5) engineering contracts or other measures.

Article 6. The recipient may receive the preferential treatment stipulated by the Xiamen City People's Government, and apply to the state banks in the special zone for low-interest loans or financial assistance, provided the imported technology meets one of the following conditions:

- 1) It has been tested and proved to be of advanced world standards by the national scientific research department;
- 2) it can markedly improve the competitive edge of the product on the international market;
- 3) it can transform the existing enterprise with remarkable economic benefits;  
or
- 4) it is especially needed in the opinion of the Xiamen City People's Government.

Article 7. To import technology, the recipient should file a written application to the organization authorized by the Xiamen City People's Government, attaching thereto a statement of intent and a feasibility study report on the technology to be imported. After the application is examined and approved, the recipient should sign a contract with the supplier, and submit the contract to the above-mentioned organization for examination and approval. The examining and approving organization should notify the applicant of the results of examination within 44 days of receiving the application.

The contract should take effect from the date of approval. If it is not implemented within 6 months after approval, it may be rescinded by the original examining and approving organization. However, the party concerned may apply for an extension of the time limit prior to the deadline, provided he has an appropriate reason.

Article 8. The technology import contract should contain the following, in addition to the general clauses of economic contracts with foreign contractors:

- 1) Definitions of key terms;
- 2) the contents and scope of the technology, the list of technical data, and the date of the transfer;
- 3) schedule of progress of work, technical service, and technical training;
- 4) use of the trade mark;
- 5) guarantee for the success of the technology and checks to be conducted before the conclusion of technology transfer;
- 6) rights and obligations on both sides to use, and improve, the technology;
- 7) maintenance of secrecy;

- 8) calculations and terms of payment of technology compensation;
- 9) responsibilities for breach of contract.

Article 9. Any clause on technology import should become invalid if it contains any of the following:

- 1) Payment of compensation for technology with outdated or invalid patent;
- 2) restriction on the recipient from acquiring technology from other sources;
- 3) restriction on the improvement, or development, of the technology in the course of its application; and
- 4) any additional condition that is obviously unreasonable.

Article 10. When transferring a technology with valid patent rights, the supplier should provide the recipient with a duplicate, or reproduced, copy of the patent statement and the patent certificate. Where there has been a certificate of transfer of the patent right, that certificate should also be provided.

When the supplier transfers a technology, for which patent right is being requested, it should provide the recipient with the patent application documents, including the application, the explanation of the invention and its abstract, drawings, and the request for right, and should let the recipient know the progress made in the application for the patent. Where there has been a certificate of transfer of the patent-application right, that certificate should also be provided.

When the supplier transfers a proprietary technology, it should provide the recipient with the relevant design drawings, an explanation of the technological process and related schematic drawings, technical data, recipes, formulas, key equipment, models, samples, a list of materials along with descriptions, instructions on operations, detailed rules for on-the-spot work, technical demonstrations, on-the-spot guidance, methods for product quality control and tests, methods and equipment used for maintenance, relevant commercial information, and other related materials.

Article 11. The supplier shall, within the prescribed period of this contract, provide technical, design, management and marketing training to the required number of personnel designated by the recipient, in order to enable the recipient to use all the technology the supplier has provided.

Article 12. If technology has previously been transferred to third parties, the recipient has the right to ask the supplier to provide a duplicate copy of the contract under which the technology was transferred.

Article 13. If, during the contract period, the supplier's patent rights become invalid, its application for patent rights is rejected, or the technology is found not to belong to the supplier, the recipient has the right to change, or terminate, the contract. The supplier shall bear responsibility, and shall compensate the recipient for the losses incurred therefrom. The supplier shall be responsible for litigation brought by third parties concerning patent rights.



The supplier shall guarantee the completeness, accuracy, and reliability of the technological data. The supplier shall bear responsibility for a breach of contract, and shall compensate the recipient for loss, if the imported technology fails to meet the contract requirements on account of the supplier.

Article 14. The recipient has the obligation to keep the imported technological secrets in accordance with the contract. If the recipient leaks the secrets in violation of the contract, the supplier has the right to reclaim the relevant data, terminate the contract, and demand compensation for loss, in accordance with the contract.

No personnel having access to technological secrets on account of their jobs or business connections shall leak those secrets, or use them without permission. Personnel doing so will bear legal responsibility.

The responsible departments concerned of the Xiamen City People's Government shall take necessary steps to monitor the result of the technological transfer, and give necessary supervision. They may request the Xiamen City People's Government to stop preferential treatment, and take other appropriate steps to deal with the question, if the imported technology causes environmental pollution, or fails to achieve the expected technological and economic target.

Article 16. These regulations shall take effect from the date of promulgation.

CSO: 4006/472

SPECIAL ECONOMIC ZONES

XIAMEN ECONOMIC ZONE LAND MANAGEMENT RULES

OW151451 Fuzhou FUJIAN RIBAO in Chinese 24 Feb 85 p 2

[Provisions of the Xiamen Special Economic Zone for Land Use and Management--adopted by the eighth meeting of the Sixth Fujian Provincial People's Congress Standing Committee on 14 July 1984]

[Text] Article 1. These provisions are formulated in accordance with the pertinent laws and regulations of the People's Republic of China.

Article 2. All land, beaches, waters, and natural resources within the limits of this special zone shall be put under the centralized planning and management of the Xiamen City People's Government.

Article 3. The use of land by enterprises in this special zone shall be subordinated to the overall development plan of this special zone. No unauthorized changes may be made in the approved construction plans of any projects and their layouts.

Article 4. Enterprise investors requiring the use of land in this special zone should present the documents of approval for their investment projects and the transcripts of contracts and file applications with the Xiamen City Urban and Rural Construction Commission. After land is allocated upon approval of their applications, the applicants must obtain land use certificates in order to have the right to use the land.

Article 5. Within 9 months of the receipt of the land use certificate, the enterprise investor shall produce an overall blueprint for the construction of project and the construction plan. Within 1 year, the ground shall be broken for construction. The construction of the project shall be completed as scheduled. If construction is delayed without good reason, the land use certificate shall be withdrawn and the land use fees already paid shall not be refunded. If the investor has proper reasons, he may request the approval of the original approving authorities for an extension of the construction time.

Article 6. The term of land use shall be determined according to the projects undertaken and actual needs. The maximum contract term for various trades and professions will be:

- 1) For industrial, communications and public utility use, 40 years;

- 2) for commercial and service trade use, 20 years;
- 3) for banking and tourist industries, 30 years;
- 4) for real estate business, 50 years;
- 5) for scientific and technological, educational, cultural and public health undertakings, 60 years; and
- 6) for animal husbandry, crop planting, and aquaculture, 30 years.

If an investor wants to continue to operate on the land after the expiry of the term stipulated, he may apply for an extension of the term before it expires.

Article 7. Land use fees shall be collected for all land used by enterprises in the special zone, whether it is newly requisitioned land or whether the site of an existing enterprise is used. The amount of the land use fees shall be stipulated by the Xiamen City People's Government according to trade and profession, section of area, and technological level of the enterprise. The amount of the land use fees shall remain unchanged within 3 years after these provisions are promulgated and put into force. Thereafter, it may be appropriately readjusted according to circumstances once every 3 years; any raise shall not exceed 30 percent. During the approved construction period, the enterprise pays land use fees at half rate.

Article 8. The land use fees are paid annually. Preferential treatment shall be given to any enterprise that pays land use fees for 3 or more years in one payment. Details of the preferential treatment plan shall be stipulated by the Xiamen City People's Government.

The first year's land use fees shall be paid on the day the land use certificate is issued; the payment of land use fees for less than 6 months of land use shall be exempted, and the payment of land use fees for more than 6 months and less than 1 year of land use shall be computed as 6 months' fees. From the second year on, the land use fees shall be paid before 31 March of the year. A fine of 0.1 percent daily shall be charged for late payment.

Article 9. The enterprises and individuals that have been approved to use land in the special zone shall have only the right to the use of the land and shall have no right of ownership. With the authorities' approval, the enterprises and individuals may transfer to others their right to the use of land during the approved land use period. The transferor and the transferee shall go through the transfer formalities and a new land use certificate shall be issued to the transferee.

Article 10. Enterprise investors needing to reserve land for future development should obtain approval and pay 50 percent of the appraised land use fees as reservation fees. The reservation period should not exceed 2 years; beyond that, the reservation is cancelled. The enterprise is exempted from paying annual land use fees if the reserved land is used during the time limit.

Article 11. Enterprise investors needing to use land on a temporary basis should, with the approval of the Xiamen City Urban and Rural Construction Committee, pay the temporary land use fees. The maximum period for temporary land use is 2 years.

After that period expires, the unit using the land should dismantle facilities and return the land to its original form.

Article 12. Educational scientific and technological, medical and public health, social welfare, and other nonprofitable undertakings in the special zone shall, with the approval of the Xiamen City People's Government, be exempted from paying land use fees.

Article 13. The application for development and management of a whole area of land should be made to the Xiamen City People's Government. The term of using the land, the power and form of management, the criteria for determining land use fees, and the methods for paying them should be negotiated individually.

Article 14. In using the land in the special zone, enterprise investors should observe regulations concerning environmental protection, water and soil conservation, fire prevention and safety, construction standards, and landscape gardening and tree planting in the special zone.

Article 15. Enterprise investors should build their own power and heat supply, telecommunications, water supply, drainage, sewerage, roads, and other facilities on the land used by the enterprises.

Article 16. These provisions also are applicable to enterprises that use the land of the special zone to conduct cooperation with other enterprises in the country.

Article 17. These provisions come into force upon promulgation.

CSO: 4006/472

## SPECIAL ECONOMIC ZONES

### FUJIAN REGULATIONS ON XIAMEN ECONOMIC TIES

OW092046 Fuzhou FUJIAN RIBAO in Chinese 24 Feb 85 p 2

["Regulations Governing the Economic Association Between the Xiamen Special Economic Zone and the Interior--approved by the Eighth Session of the Sixth Fujian Provincial People's Congress Standing Committee on 14 July 1984"--FUJIAN RIBAO headline]

[Text] Article 1. These regulations are formulated in line with relevant laws and regulations of the People's Republic of China in order to strengthen economic and technical cooperation between the special economic zone and China's interior and promote their common economic development.

Article 2. In a principle of equality and mutual benefit, enterprises and institutions of various provinces, municipalities, autonomous regions, and central departments may invest in industry, commerce, transport service, public utilities, building industry, catering service, scientific and technological undertakings, cultural and educational undertakings, and other undertakings in the special economic zone.

The aforesaid enterprises and institutions are encouraged to invest in the technical transformation of existing enterprises in Xiamen city.

Article 3. The forms of economic association between the special economic zone and the interior (economic association for short):

- 1) Tripartite association of the interior, the special economic zone, and foreign investor;
- 2) bilateral association between the interior and the special economic zone; and
- 3) enterprise with exclusive interior investment, or other forms.

The operational form in 1) and 2) may be either a partnership joint venture or a contracted cooperation.

Article 4. In order to invest in running an enterprise or institution in the special economic zone, the interior enterprise or institution must show its legal person's credentials and certificates issued by the department in charge at or



above the county level, negotiate with the organizations concerned of the special economic zone, sign a contract, have the contract examined and approved by the Xiamen City People's Government, and register the new enterprise or institution with the Xiamen City Administration for Industry and Commerce.

Article 5. The economic-association enterprises and institutions in the special economic zone should conform to the overall plan of the special economic zone, operate under the unified administration of the special economic zone, and abide by the regulations of the special economic zone. Their legal rights and interests are protected by law.

Article 6. The income tax rate for economic-association enterprises and institutions with foreign partnership is 15 percent. Economic-association enterprises and development-type institutions without foreign partnership enjoy income tax reduction or exemption for 1-3 years, beginning in the year in which it is determined that they have earned profits. The income tax reduction or exemption must be approved by the Xiamen City Tax Bureau.

Article 7. The products of economic-association enterprises are mainly for export.

Article 8. The economic-association enterprises and institutions should open accounts with banks in the special economic zone. The interior partner's share of net profits may be freely remitted to the interior. The interior partner may also use its share of net profits in buying equipment and materials from the special economic zone or international market, and ship the equipment and materials to the interior after paying custom duties.

Article 9. The interior partner in a economic-association enterprise or institutions without a foreign partnership may enjoy an appropriately larger share of foreign exchange profits earned by the enterprise or institution. Details of the sharing plan shall be decided through consultation by the cooperative parties.

Article 10. The number of personnel to be assigned to an economic-association enterprise or institution in the special economic zone by its interior partner shall be checked and ratified by the Xiamen City People's Government. The personnel are required to register the temporary residence.

Article 11. The nonrotational management cadres and technical personnel assigned to an economic-association enterprise or institution by its interior partner may move their permanent residence, together with their family members, to the special economic zone and their family members will be given appropriate preferential treatment of the enterprise or institution is scheduled to operate for 5 years or more and has already operated more than 1 year with good economic effectiveness, and if those persons' applications for establishing permanent residence in the special economic zone are approved by the Xiamen City People's Government.

Article 12. After an economic-association enterprise or institution completes the deregistration formalities after contract expiration or the midway closure, it may freely sell its assets, the investors may remit their capital funds home, and the personnel shall be resettled by their sponsors.

Article 13. These regulations come into force upon promulgation.

4 April 1985

## LABOR AND WAGES

## HENAN HOLDS FORUM ON LINKING WAGES TO ECONOMIC RESULTS

HK011435 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 25 Feb 85

[Text] The policy study office of the provincial CPC committee, the investigation and study office of the general office of the provincial government, and the policy study office of the Zhengzhou City CPC Committee recently jointly held a forum with the participation of departments concerned of the province and the city and of some enterprises, to thoroughly and specifically explore the problems of linking economic results with wages in enterprises. The forum held: Linking economic results with wages is an important measure for arousing enterprises' enthusiasm.

At this forum on the implementation of the system of linking economic results with wages in enterprises, units, and including the Zhengzhou electric cable plant, the First Anyang Rubber Plant, the Anyang vibrator plant, and the Third Anyang Weaving Factory, introduced their experiences in, and method of implementing the system of linking economic results with wages in enterprises on an experimental basis.

Last year, the Zhengzhou electric cable plant implemented on an experimental basis the system of keeping ties between the total amount of wages and profits and taxes submitted to the state, the system of floating wages, and the system of contracted responsibilities, resulting in a great increase in economic results. The plant made profits of 20.01 million yuan and submitted to the state profits and taxes of 12.89 million yuan, an increase of 42.6 percent over the plan. According to regulations, this plant made use of the increased part of the total amount of wages to carry out reform of wages among all workers throughout the plant, to conduct general adjustment of wages, and to promote good workers to higher grades so that the state got a big interest and the enterprise and its workers got the smaller interests. That is to say, for each extra yuan the enterprise earned for the state, the amount of its workers' wages increased by 24 yuan, thus vigorously arousing workers' enthusiasm.

From the practice in these several factories, the participants in the forum came to profoundly understand the might of reform and the function of linking economic results with wages.

With a view to implementing the system linking economic results with wages in enterprises, the forum also explored the following relevant problems: For example, the theoretical basis for implementing the system of linking economic results with wages, how all enterprises carry out reform at the same time, the relationship between linking economic results with wages and the implementation of the system of economic responsibilities, distribution within an enterprise, what principles should be grasped, what forms should be taken, the effect of the readjustment inside and outside enterprises on the implementation of the system of linking economic results with wages, the relationship between the implementation of the system of linking economic results with wages in enterprises and macroeconomic results, the relationship between linking economic results with wages and ideological and political work, and so on.

CSO: 4006/448

## LABOR AND WAGES

### ACHIEVEMENT IN PRACTICING CONTRACT LABOR REPORTED

Beijing GONGREN RIBAO in Chinese 28 Nov 84 p 1

[Article by Wang Jingu [3769 6930 7711], and Li Haihu [2621 3189 3940]:  
"Progress Made on Nationwide Practicing on Contract Labor System"]

[Text] Since the end of 1983, 29 provinces, municipalities and autonomous regions in China have widely conducted tests at selected points on the contract labor system, these reporters learned at the national meeting of exchange of experiences in the tryout of the contract labor system which was concluded on 27 November. At present, the number of contract workers throughout China has reached over 860,000, of which 780,000 working in publicly owned units and 86,000 in the units under collective ownership.

The system which was tried out among newly recruited workers at various locations covered a broad scope which included not only general types of work in production but also those requiring complicated skills and extended to both enterprises and institutions. It is understood that 16 provinces, municipalities and autonomous regions in China have stipulated that, in principle, all workers recruited from society will be contract workers henceforth.

While trying out the contract labor system, many areas did not copy the current wage system for permanent workers. Instead, they conscientiously followed the principle of distribution according to work and based on the actual situations in which contract workers were required to hand in cash deposits and go through a short waiting-for-employment period to correspondingly raise the level of grading and the pay scales of contract workers. Generally, contract workers receive more wages than permanent workers. By stipulation, the former are paid 10 to 15 percent more than the latter in Guandong and the difference can be as high as 20 percent in Anhui. In order to dispel contract workers' fear of disturbance in the rear, the authorities of Shashi City of Hubei, Anyang City of Henan, Qingdao City of Shandong and other cities established a social labor insurance system for them while implementing the contract labor system. Based on the length of the insurance policy, the insurance system will pay contract workers pension, medical fees, post-retirement burial allowance and subsidy during the waiting-for-employment period. In the meantime, the authorities of those cities have worked out a definitely feasible plan to raise funds for social insurance.

Results of the tryout at all places indicate that the contract labor system is advantageous not only in mobilizing the enthusiasm of the staff and workers and strengthening the vitality of enterprises but also in promoting the growth and rational utilization of talents.

To sum up and exchange experiences in promoting the contract labor system and accelerate the pace of restructuring the system of the employment of labor, the Ministry of Labor and Personnel called the national meeting of exchange of experiences to the tryout of the contract labor system at Zhengzhou 23 to 27 November.

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CSO: 4006/243



LABOR AND WAGES

SUCCESSFUL PLACEMENT OF TRANSFER CADRES IN HUBEI REPORTED

Wuhan HUBEI RIBAO in Chinese 17 Nov 84 p 1

[Article: "Successful Placement of Transfer Cadres"]

[Text] Hubei concluded its 1984 placement of transfer cadres in early November. Because the department concerned has succeeded in linking up the placement with the strengthening of the army and the transfer cadres have been properly placed through recommendation and selection and will be able to make the best possible use of their talents, the localities, the army and the transfer cadres are all fairly satisfied.

The placement of transfer cadres this time was conducted during the process of learning and implementing the spirit of the Third Plenum of the 12th Central Committee. Because cadres of the provincial department responsible for placement recognize that respecting knowledge and talent is a fundamental problem of socialist modernization and understand that many of the transfer cadres are exemplary cadres and talents with expertise in a special field of study, they paid special attention that making the placement not only permit bringing the transfer cadres' role in the four modernizations into full play but also help encourage military cadres to work on their present jobs contentedly and study hard and promote the strengthening of the army. The placement of transfer cadres was carried out by the following means:

One, positively recommending those transfer cadres with real talent and sound scholarship to the department concerned in order to enable them to give full play to their specialties. Over 500 of the transfer cadres taken over by Hubei in 1984 are cadres with special skills and have been placed in jobs as suited to their specialties as possible. Those for whom no exactly matching assignments could be found have been given technical jobs close to their specialties. Liao Desheng, an assistant researcher of a certain national defense chemical institute, and his wife Wang Jingmian, who graduated from college in 1965 and 1966, respectively, and who had been engaged in chemical analysis since they joined the army, are included in the transfer cadres this time. After study of their cases, the department concerned assigned both of them to the Wuhan Branch of the Chinese Academy of Sciences. The leading cadre of the provincial department responsible for the placement personally visited the unit concerned to recommend a transfer cadre from the navy who is specialized in aircraft repair for employment.

Two, giving priority in placement to those transfer cadres who have won second-class merit awards or above during their military services even though they have not made high demands for employment. For example, Wu Zhiping, a deputy regimental commander of the Guangzhou Military Region who had won a first-class merit award during the self-defense war against Vietnam, was assigned to a job in Wuhan City. Likewise, many meritorious and exemplary cadres have been properly placed.

Three, according appropriate care to the transfer cadres permanently stationed on offshore islands or board areas. As he had spent more than 10 years on the Xisha Islands and made contribution to the coast defense, a staff cadre at the regimental commander level of the South Sea Fleet was placed in Shashi at his request through the arrangement of the provincial department responsible for placement and is fully satisfied with his new job.

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CSO: 4006/243

LABOR AND WAGES

GUANGDONG IMPLEMENTING CONTRACT SYSTEM FOR CADRE SELECTION

Guangzhou NANFANG RIBAO in Chinese 3 Dec 84 p 1

[Article by Fu Zhong [4569 0022]: "Guangdong Provincial People's Government Stipulations Contract System Trial for Selection of New Cadres in 1985"]

[Text] To cope with the need of restructuring the economic system, the Guangdong People's Government has recently stipulated that starting in 1985, the contract system will be tried for the selection of new cadres.

The scope of the tryout covers all enterprises, public agencies at all levels throughout this province, government agencies below the county level (including county) except confidential ones and all centrally controlled enterprises and public agencies stationed in Guangdong. All currently employed workers and youths waiting for employment who meet the following conditions are eligible for the contract system: (1) persisting in the four basic principles, upholding the lines, principles and policies of the party, being honest and upright in their ways, observing disciplines and abiding by the law and possessing a fairly high level of understanding of policy and ability in organization; (2) having a cultural degree above high school graduate or equivalent educational level (properly relaxed for the people of minority nationalities and border and remote areas); (3) being physically healthy and generally about 25 years old; (4) graduates of television universities, trade universities, vocational universities and correspondence universities and those who have acquired the educational level of a college graduate through self-study are allowed to be about 30 years old. Applicants are selected through tests and examinations and then approved for employment by the personnel department above the county level (or equivalent to the county level). The hiring unit signs a contract with the employee and may renew, terminate or dismiss it which, however, must be concurred in by the agency which approves the contract. During the duration of the contract, contract cadres are entitled to the same political and living treatment as local state cadres at the same grade. The criteria of their salaries are Administrative Grade 25 for the first year and Administrative Grade 24 for the second year, but the amount is negotiable subject to the actual situation. Graduates of television universities, trade universities, vocational universities and correspondence universities, the self-supporting, nonboarding college graduates and those who have acquired the educational level of college graduate through self-study receive compensation in accordance with their educational levels. Generally,

contract cadres do not have their household registrations and food rations transferred. Those who hold a rural household registration may retain their land assigned under the system of production responsibility. The supply of their own grain and nonstaple food is issued in accordance with the criteria for local cadres. Other benefits, medical privileges and living subsidies are provided in accordance with the criteria for the state cadres assigned to the same unit. They cannot retain their cadre identity and enjoy the aforementioned treatment after the contract is terminated.

The Provincial People's Government emphasizes that for the tryout of the contract system for selection of new cadres, it resolutely opposes unhealthy tendencies, disallows "hiring within the unit" and absolutely forbids practicing favoritism and fraud. If found, the employee is dismissed immediately and the handling units and related personnel are subject to an investigation and affixation of their responsibilities.

12730

CSO: 4006/247

## LABOR AND WAGES

### PRC WORKERS' INCOME REPORTED RISING CONSIDERABLY

Beijing GONGREN RIBAO in Chinese 27 Aug 84 p 1

[Article: "Big Raise in Workers' Income in PRC"]

[Text] Since the PRC was founded, the workers' income has risen to a great extent. In 1983 the average wages of workers employed by units owned by all the people were 94 percent above the 1952 level. Their consumption rose from 148 yuan in 1952 to 526 yuan in 1983.

Due to wage adjustments, more employment, bonuses, and allowances, the workers' average income of units owned by all the people rose from 446 yuan in 1952 to 865 yuan in 1983. During the last 5 years the average annual increase was 6.1 percent surpassing the 1.4 percent of the past 29 years. More employment has reduced the number of dependents in a family. According to a worker's family living standard survey in 1983, the average living expenses were 526 yuan, being 1.1 times greater than the 235 yuan in 1957, and 66.5 percent over the 316 yuan in 1978. After deducting rising prices, the average increase was 43 percent over the 1978 level of 7.4 percent a year.

The consumption level also rose with the workers' increased income. According to statistics, the workers' consumption based on the amount spent by each person not engaged in agriculture rose from 148 yuan in 1952 to 526 yuan in 1983. After deducting the 1.5 times rise in prices, the average increase was 3 percent a year.

The workers' consumption structure has also changed notably. According to a worker's family survey, in 1983 each member of a worker's family spent 506 yuan on living expenses, 63.6 percent above the 1978 level or 10.2 percent more every year on the average. The amount spent on food was 300 yuan out of the 506 yuan in 1983, being 67 percent over the 1978 figure and increasing from 57.6 percent to 59.2 percent of the total living expenses. The main causes were the bumper crops in recent years and ample supplies on the market. At the same time the rise in the prices of edible goods had certain effects. Expenses for clothing amounted to 73.60 yuan, being 74 percent above the 1978 level, and rising from 13.6 percent to 14.5 percent of the total expenses. The amount spent on appliances was 82.20 yuan or 64 percent above the 1978 level, comprising from 16.1 percent to 16.2 percent of the total living expenses.



The amount spent on high-class consumer goods contributed a higher proportion to those on food, clothing and other consumer goods. Whereas in the past people having low income were concerned with having just enough to eat and wear, they now care for nutritious food, quality clothing and high-class appliances. For example, people now demand more meat, poultry, dairy products and food high in protein and rich in nutrition. In 1983 each member of a worker's family consumed on the average 40 jin of pork, beef and mutton (1.5 times greater than 1957), 16.5 jin of fish and shrimp (6 percent greater than 1957) and 5.2 jin of poultry (1.2 times greater than 1957).

In recent years the change in clothing has been from cotton cloth to synthetic fibers, woollens, silks, and high-class materials as well as high or middle-class readymade apparel.

The change in appliances has been from the "old foursome" (bicycle, sewing machine, wrist watch and radio set) to electric home appliances and such high-class durable consumer goods. In 1983 every 100 worker families owned 83 television sets, 29 washing machines, 27 tape recorders, 64 electric fans and 1.7 electric refrigerators.

Furthermore in 1983 each member of a worker's family spent 42 yuan on cultural recreation and other services, this non-commodity spending being 15 percent over the 1981 amount.

12661

CSO: 4006/4A

## LABOR AND WAGES

### TWO SUGGESTIONS ON WAGE REFORM

Shanghai SHIJIE JINGJI DAOBAO [WORLD ECONOMIC HERALD] in Chinese 17 Dec 84 p 3

[Article by Xiao Liang [2556 0081]: "In Wage Reform, We must First Enliven and Second Increase Pay Differences Based on Principles Formulated by the "Resolution", Concerned Departments are Drawing up Wage Reform Plans and Methods. The Author Thinks That the key to Wage Reform is in Overcoming Equalitarianism and Carrying out the Principle of Distribution According to Work. Increasing pay Differences refers Principally to Increasing pay Differences Between Simple and Complicated Work, Skilled and Unskilled Labor and Mental and Physical Labor."]

[Text] The CPC Central Committee Resolution On Economic System Reform" has formulated principles on wage system reform. Concerned departments are drawing up wage reform plans and methods and I think that the most important thing at present is to unify our ideas and understanding.

How should the wage system be changed? In short, it should be by overcoming equalitarianism and conscientiously carrying out the principle of distribution according to work.

Some people have summed up our past wage system problem in three words, "low, equal and dead." "Low" is low standards because our system is one of low wages. It is hoped that this problem will be solved in the coming reform. "Equal" is equalitarianism which is a very difficult, long-unsolved problem in our wage system. "Dead" is excessive controlling, controlling to death and lacking flexibility and cannot reflect changed labor conditions. Equalitarianism is the most serious of these three words. It is the major root of the problems of China's labor productivity being low and the enthusiasm of our enterprises, staff members and workers being unable to be fully aroused, and we must make the greatest efforts to solve it through wage system reform.

I think that the guiding ideology of our coming wage system reform should be first, to enliven the whole system and second, to dare to increase pay grades and expand income differences.

In the area of enlivening the wage system, certain steps have been taken in the past several years. For instance, fluctuating and piece rate wages have

been practiced and award proportions have been increased. Enterprise staff member and worker awards especially have been determined by enterprises based on management conditions without sealing off top levels or ensuring minimums, and the method of the state collecting taxes from enterprises only for those awards which exceed limits has been welcomed. But the wage system has still not generally been enlivened. Further steps must thus be taken in the future to enable enterprise economic results, improving particulars with improvement of the general situation and vice versa. Differences should be permitted between enterprises in making the income of staff members and workers in enterprises with good economic results higher than that in those with poor economic results. This will arouse the enthusiasm of enterprises, staff members and workers to do a good job of management and administration. Enterprises should moreover have the right to choose their own wage and award forms and to adjust and raise the wages of their staff members and workers. The problem of excessive control should be thoroughly solved.

Some people now still have ideological conflicts about the problems of overcoming equalitarianism and daring to increase pay differences. They invariably think that people's income under socialist conditions should be roughly equal and that there should not be great disparities between high and low. This is in fact an effect of the long-standing "left" guiding ideology. It must be understood that the major differences in people's income under socialist conditions are labor differences. If people's labor differences are great, their income and pay differences should also be great. If people's labor differences are in a proportion of 1 : 2 : 3 : 4.....10 and their wage differences are in a proportion of 1 : 1.5 : 2.0 : 2.5.....5, that is equalitarianism. Not daring to increase pay grades and expand wage differences makes it impossible to use the experience of selected units to promote work in the entire area and development of the productive forces and inevitably results in everyone becoming poorer together. We must therefore resolutely dare to expand distribution differences and make a great change in our guiding ideology.

Daring to increase pay differences refers mainly to two areas: the first is increasing pay differences between simple and complicated work and skilled and unskilled labor; the second is increasing pay differences between mental and physical labor.

There are of course differences in enterprise wage scales between simple and complicated work and skilled and unskilled labor. The 8-grade wage system also reflects these differences to a certain extent. But due to various reasons, there are not great differences in carrying it out. For instance most staff members and workers in many enterprises are grade-2 and -3 workers but the work they do is actually grade-5 and -6 or grade-6 and -7 and the pay is almost the same for those who do a lot of work and those who do little and for those who work well and those who do not. How can enthusiasm be raised if these conditions are not changed?

It cannot be said that there were no pay differences between mental and physical labor under the past long-standing ideological influence of looking down on intellectuals and mental labor, but the general tendency was to

reduce them. The "upside down" condition even generally appeared of the pay for mental labor being lower than that for physical labor. Among people of the same age and junior high school education, when one goes to college and one enters a factory, the result is that the wage income of the one who goes to college is not as high as that of the one who enters the factory as a worker. How can this encourage people to make intellectual investments and scientific and cultural advances?

The two above-mentioned abnormal equalitarian phenomena which are unfavorable to the realization of the four modernizations must be thoroughly reversed in the coming wage system reform.

12267

CSO: 4006/271

## LABOR AND WAGES

### CONTRACT, TEMPORARY WORKERS' DIFFERENCES EXPLAINED

Kunming YUNNAN RIBAO in Chinese 19 Oct 84 p 3

[Article by Chen Liang [7115 0081]: "Contract System Workers Are Not Temporary Workers"]

[Text] Since Yunnan began testing the labor contract system in 1983, some areas, departments, staff members and workers, the masses and even certain labor department comrades have confused contract system workers with temporary ones and thus produced various doubts and differing views. It is a misunderstanding to confuse contract system workers with temporary ones and there are in fact great differences between them.

First, contract system workers are official state staff members and workers enrolled in state-assigned labor plans and although most temporary workers are also enrolled in state plans, they are not official state staff members and workers. Contract system workers are recruited from unemployed urban youths undergoing pre-employment training and include both ordinary and skilled workers. But most temporary workers (including seasonal and rotation workers) are ordinary workers recruited from rural areas.

Second, there are both short- and long-term contracts signed between contract system workers and labor-employment units and provided workers have met work requirements well by the expiration of their contract periods, their contracts can be renewed. Their work will thus be relatively stable and their mobility rather limited. But temporary workers are principally engaged in concentrated short-term temporary work, leave at the expiration of their contract periods, are recruited again as production requires and have greater mobility.

Third, the political treatment of contract system workers is identical to that of permanent ones both in units owned by the whole people and collectively-owned ones. They can join labor unions, the CYL, the party and the army, become cadres and participate in all political activity. Economically, contract system workers enjoy the same wage, labor insurance and welfare treatment as permanent ones and their wages are often higher than those of permanent ones. But temporary workers do not enjoy the above-mentioned political and economic treatment.



Fourth, the working times of contract system workers are controlled by enterprises and their dismissal times by labor service companies which are responsible for organizing their temporary sideline production, their study of language, science and technology, their carrying out of work transfer training and their new work plans. Since contract system workers are official state staff members and workers, they also participate in the social insurance system; but since temporary workers are not official state staff members and workers, they do not enjoy the benefits of the social insurance system.

This shows that contract system workers are not temporary ones. In order to distinguish them from pre-"cultural revolution" contract workers, the state has especially denominated workers who are enrolled in the labor contract system as contract system workers.

Some enterprises think that "contract system workers are a temporary contingent" and are worried that recruiting them will create a lot of mobility in the labor force and instability in the technical backbone and affect production. A certain degree of normal mobility in the labor force is in fact a characteristic and superiority of the labor contract system. Judged from the area of strengthening enterprise management, the labor force can never of course be allowed large-scale and unlimited freedom of mobility. That would be unfavorable to stabilizing the technical backbone and to enterprise production. In order to decrease and avoid unlimited freedom of mobility in the labor force, some areas, departments and units have taken certain steps to as much as possible gradually reduce differences between areas and between town and country in the areas of labor conditions, literacy education and material lives. Also, when recruiting contract system workers, they are first given 1- to 3-year short-term contracts and after the expiration of the contract period, 5- to 10-year and even longer long-term contracts based on their work attitudes and technical conditions, thus stabilizing the technical backbone in enterprises. Others have adopted the measure of giving progressive seniority subsidies to workers in their enterprises, enabling bigger subsidies to be given to contract system workers who have worked for longer periods of time and causing workers to be unwilling to leave. Practice in many units has proved that provided methods are correct, the ranks of the technical backbone can be stabilized and large-scale mobility of the labor force be reduced.

12267

CSO: 4006/271

4 April 1985

## LABOR AND WAGES

## REGULATION ON LEAVE WITHOUT PAY EXPLAINED

Nanjing XINHUA RIBAO in Chinese 13 Nov 84 p 2

[Test] Dear Comrade Editor:

I am a worker employed by a town-run coal cake factory, but I am also a family-trained tailor specialized in hat processing. At the beginning of 1984, four individual tailoring households and I grouped funds to open a hat manufacturing and processing factory whose business has been growing better every day. At present, it has attained an output value of nearly 20,000 yuan and each investor is getting a monthly income of over 150 yuan.

In order to further bring my specialty into full play, I desire to leave my job in the coal cake factory without pay. Please answer the following questions in this regard. Can I request a leave without pay from my present employment? What are the procedures? Can my leave without pay be considered as part of my continuous service? Will my leave without pay affect the re-adjustment of my wages in the future? Can I resume my job in the original unit?

Wang Yuxiang of Louwang Town in the suburb of Yancheng City.

Comrade Wang Yuxiang:

The several policy-related questions raised in your letter concern many readers at other places. Following are the answers:

Staffers and workers whom an enterprise can spare are allowed to take leave without pay if approved. Generally, the length is limited to 2 years. During this period, they cannot be promoted and or be entitled to all kinds of remuneration, such as allowance, subsidy and labor insurance benefits. In case of loss of ability to work due to sickness and disability, they may be dealt with in accordance with the measures for discharge. When engaged in a paying job, they, in principle, should make a monthly labor insurance fund payment to their original units and the amount generally should not be lower than 20 percent of their original standard wages. The period of leave without pay is credited as continuous service.

Specific measures for staffers and workers to apply for leave without pay are as follows: The person personally applies for it in writing and signs an

agreement on "leave without pay" after the application is approved by the administrative leader of his unit. The case is then reported to the department which has jurisdiction over the enterprise and the local labor personnel department for recording. When engaged in industrial or commercial business activities, the person on leave without pay must register with the local department in charge of industrial and commercial administration and management with the agreement.

If the person requests resignation during his leave without pay, he may process his resignation after the administrative leader of his original unit concurs with the request. When the person is willing to work for his original unit again after the leave without pay expires, he needs to file an application with his original unit 1 month prior to the date of expiration and the unit should properly place him. If the person has failed to file the application or request for resignation within 1 month after the leave without pay expires, his original unit has the right to treat his case as voluntary separation from employment.

Some young staffers and workers of an enterprises may be allowed to take leave without pay when they request it to review their studies for an examination to further their education. When old, weak, sick or disabled staffers and workers who are neither qualified for retirement or discharge nor able to hold a regular labor job or get a special arrangement from the enterprise request leave without pay, they must personally apply for it and get approval from the administrative leader of the enterprise. The enterprise may try the measures of retaining them on public employment and permitting them to work on other paying jobs simultaneously. During the period when those staffers and workers are retained on public employment, the enterprise may pay them an appropriate amount of subsidy for living if their incomes from other paying jobs are less than their original standard wages. If otherwise, the enterprise should stop the payment of subsidy for living and use its discretion to collect a certain amount of labor insurance fund from them. They will be processed for retirement when they are qualified for it.

In sum, staffers and workers requesting leave without pay must be those whom an enterprise can spare and the leave without pay must be approved.

Staffers and workers who leave their jobs without approval are dealt with as having taken voluntary separation from employment. The original unit has the right to dismiss its staffers and workers on leave without pay when they are engaged in illegal activities and meet the conditions for dismissal prescribed in the "Regulations Governing Rewards and Penalties for Enterprise Staffers and Workers."

The Planned Labor Department of Jiangsu Provincial Labor Bureau

12730

CSO: 4006/247

4 April 1985

## LABOR AND WAGES

## BRIEFS

LIAONING LABOR EXPORT—Amid acute competition in international markets, Liaoning Province achieved new results last year in construction contracts with foreign countries and labor service export. It conducted business with companies from more than 30 countries and regions, and sent 8 bidding teams to Egypt, the United States of America, and other countries, signing nine contracts. The province sent some 1,600 engineering and technical personnel, workers, and other laborers abroad, ranking first in the country. [Excerpt] [Shenyang LIAONING RIBAO in Chinese 14 Feb 85 p 1 SK]

CSO: 4006/448

## TRANSPORTATION

### YUNNAN'S BUSES REACH MOST AREAS

Kunming YUNNAN RIBAO in Chinese 12 Aug 84 p 2

[Article: "Yunnan's Transportation Development"]

[Text] Since liberation Yunnan has vigorously developed bus transportation and has now initially solved the people's problem of commuting. By the end of last year 100 percent of its counties and cities, 72 percent of prefectures and towns as well as 29 percent of the rural villages had been accessible by bus.

Yunnan is located in a mountainous and highly inaccessible region. For a long time its multi-minority inhabitants have experienced hardship in moving about, "climbing mountains with their backs toward the sky, walking above the clouds where even mountain eagles dare not fly over and where monkeys can hardly climb." The reactionary governments of successive generations hardly cared about their hardships. At the time the country was liberated the old society left only 20 passenger buses, including 11 privately operated. Regular runs were only scheduled between Kunming and Kunyang, Wuding and Yuchi, Chenggong and Anning, and some other places. People in other areas had to walk or ride a few horses. After liberation, the party and government spared no efforts to improve Yunnan's backward communications, restoring and building new highways, and developing passenger transportation. By 1978 the aggregate mileage of highways and the number of passenger buses were 14 and 64.8 times greater than the early stages of liberation. Buses now reach 100 percent of the counties and cities, 42 percent of the prefectures and towns and 12 percent of the rural villages of the province.

Since the Third Plenary Session of the 11th CPC Central Committee, the exclusive operation of passenger transportation has changed. Besides communication departments, many units and some households engaged exclusively in transportation have also actively devoted themselves to the development of passenger transportation, an upsurge in passenger transportation development with the state, the collective and the individual participating. All adjacent areas and counties in Yunnan now have bus services, following the completion of highway networks at provincial, prefectural and county levels with Kunming as the focal point. By the end of last year, the number of passenger and freight terminals were 49 times greater than 1950. At a total of 2,579 buses operated exclusively for passenger transit were 128.5 percent more than



1950, carrying altogether 54,970,000 passengers and averaging 1.6 trips per person throughout Yunnan. Compared with the 29 years immediately after liberation, in the 5 years since the Third Plenum, the passenger load and buses have nearly doubled or more than doubled. In many areas, bus passengers commuting between distant counties are often full of praise for the ride.

In conjunction with the development of passenger transportation, transit services are being gradually perfected. In recent years, many bus stations not only have scheduled more runs to rural areas but also operated "production shuttle buses" for peasants going to and returning from farm work during the sowing and harvesting seasons as well as extra runs for those attending fairs. Such service has become a boon to peasants doing their daily rounds. As of July 1 this year, the provincial bus passenger service departments have provided passengers with through and transfer transit facilities as well as operated sightseeing buses with adjacent provinces to enable travelers to visit Kunming where spring prevails all the year round, scenic Xishangbana and rustic "Axima." Disturbing recollections of experiences between not too distant and yet inaccessible places will soon become things of the past.

12661

CSO: 4006/4A

## TRANSPORTATION

### BRIEFS

**LIAONING EXPANDS AVIATION ROUTES**--From this March, the Dalian Civil Aviation Station in Liaoning Province will successively open five regular airlines and two airlines for chartered planes. The regular airlines include service between Dalian and Guangzhou, Dalian and Tianjin, Dalian and Dandong, Dalian and Changchun, and Dalian and Harbin. The airlines for chartered planes include routes between Dalian and Hong Kong and Dalian and Tokyo, Japan. [Text] [Shenyang LIAONING RIBAO in Chinese 28 Feb 85 p 1 SK]

**JILIN YANJI-CHANGCHUN AIR SERVICE**--The Yanbian Chaoxian Autonomous Prefectural Government recently reached an agreement with the Shenyang Civil Aviation Administrative Bureau on opening civil aviation lines in Yanbian. Two airlines, one between Yanji and Changchun and one between Yanji and Shenyang, will formally begin service on 1 July. [Text] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 12 Mar 85 SK]

**HARBIN NEW AIR ROUTES**--With the approval of the State Civil Aviation General Administration, the Harbin airport in Heilongjiang will increase its scheduled flights and open a new route to Dalian, effective 15 March. Flight service to Guangzhou and Shanghai, now twice a week, will be increased to three times a week. Flights between Harbin and Dalian are planned for twice a week. In addition, effective 16 April flights between Harbin and Beijing will increase from the present 6 to 10 a week. In July, flight service from Harbin to Heihe and to Jiamusi will also open. Two flights a week for each route are planned. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 13 Mar 85 SK]

**LIAONING'S YINGKOU HARBOR CONSTRUCTION**--This year, the state invested 101 million yuan in the construction and installation of a coal wharf at Yingkou Harbor's Bayuquan port area, Liaoning Province. Construction of six berths for loading and unloading sundry goods will start within this year. The construction of a railway project is in full swing. At the same time, the state also allocated 10 million yuan to build a 1,000-ton-class berth and a 3,000-ton-class berth, and storage space and storage yards for foreign trade. [Text] [Shenyang LIAONING RIBAO in Chinese 1 Mar 85 p 1 SK]

**NEW JIANGSU AIRPORT**--The Lianyungang Airport in Jiangsu Province is now ready for use after a period of trial operations. According to the departments concerned, the aeronautical communications system and other equipment of this civil

airport meet the required technical standards, and there are adequate conditions to put it into operation. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 16 Mar 85 OW]

LIAONING STEAMSHIP SERVICE—Regular passenger and cargo ship service between Dalian, Liaoning Province, and Guangzhou, Guangdong Province, will be open to navigation on 29 March. This is the longest marine transportation line in the country. With a total length of 1,348 sea miles, this shipping line will take 90 hours for one-way route with a short stop in Qingdao. The ship used for this line will be the 10,000-ton-class passenger and cargo ship with a total length of 151 meters, a passenger carrying capacity of 122 people, and a cargo carrying capacity of 4,000 tons. After formal service begins, a ship will leave Dalian Port on the 10th and 25th of every month for Guangzhou. This line will also undertake water-land transshipments. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 17 Mar 85 SK]

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PUBLICATIONS

GUANGMING RIBAO RECOMMENDS BOOK ON HEBEI ECONOMY

HK070803 Beijing GUANGMING RIBAO in Chinese 16 Feb 85 pp 1, 3

[Article by Li Rui [2621 6904]: "Li Rui Writes for HUNAN JINGJI YANJIU [HUNAN ECONOMIC RESEARCH], Sincerely Recommending to the Readers the Book 'Selected Articles on Hebei's Economy'"]

[Text] Editor's Note: In this article by Comrade Li Rui there are two points which merit attention and are well worth studying. First, the article is of highly practical significance. By recommending the book "Selected Articles on Hebei's Economy," the author propagated the strict scientific approach of "explaining things as they stand" and advancing theories from reality and criticized the malpractices in the style of study in the present academic and theoretical research work, such as "quoting copiously from many sources but it is just this practice that fails to answer the questions cropping up in actual life" and making "conclusions" first and then quoting some phrases from classic works and citing some cases in point as proof. Second, the article is characterized by its clear-cut stand and arguments. The book's first articles entitled "Knowledge Paid for at a High Price," depicts the event that Xingtang County spent 10 years' time carrying out four water conservancy projects which later turned out that the project was not worth the effort. The author praised the spirit of self-criticism of comrades from Hebei who dared to squarely face past errors and openly summed up lessons drawn from their errors and at the same time, he suggested a necessary summary he made of the project to reclaim land from the Dongting Hu in Hunan and the Tieshan reservoir project in Yueyang. Like a speech, an article should have substance and a clear-cut attitude. Today this style of writing needs to be vigorously encouraged.

This article by Comrade Li Rui was originally contributed to HUNAN JINGJI YANJIU and now, after being slightly revised by the author, it is published here under a new title: "The Impressions of the Book 'Selected Articles on Hebei's Economy.'" [end editor's note]

Most articles included in the book "Selected Articles on Hebei's Economy" which was compiled under the sponsorship of Comrade Gao Yang are articles of a summary character on the experiences and lessons in the economic work of the past. Having read it, I was greatly inspired. In November last year, I visited Shijiazhuang for several days, where I witnessed a picture of prosperity in and heard of stories about the vigorous developments in all fields of endeavor in Hebei Province. Hence, I felt more excited than ever before. Therefore, I

would like very much to summarize and recommend this book to the readers and more importantly, to recommend the realist style of study of the main characters in the related articles, a style which integrates theory with practice, and their scientific approach to life to face up to reality and to sum up the experiences, both positive and negative, in their previous work.

It was in June 1962 that Comrade Cao Yang went to Hebei and assumed the post of first party secretary. When inspecting units at lower levels, he found that quite a few leading cadres were not familiar with diversified undertakings and modern agriculture and those in charge of industrial affairs had scant knowledge of the industrial economy and management expertise and a confused understanding about the development of and the laws governing the commodity economy. Meanwhile, he also learned that in the past the province made a considerable number of mistakes both in economic policy decisions and in such areas as agriculture, industry, commerce, and finance. Hence, he proposed that leading cadres like county party secretaries (in cooperation with both practical and theoretical workers) personally write economic articles to sum up their experiences and lessons and to educate themselves. Immediately an editorial department was set up with Comrade Gao Yang as its editor in chief. By the first half of the past year, the department had received nearly 1,000 contributions regarding this subject, of which 64 were published in the form of "loose-leaf leaflets" and reprinted in newspapers. Fifty articles totaling 230,000 characters were compiled in "Selected Articles on Hubei's Economy" Volume I and Volume II. Other articles would continue to be compiled and published later. This aroused the interest of the vast numbers of cadres in studying economic knowledge and raised the ability of leading cadres to direct economic activities. These articles are noted for explaining things as they stand rather than being written as abstract academic theses or uninteresting work summary reports and they also stress writing negative experiences, for failure is the mother of success and military commanders take warning from lost battles. These articles have managed to promote the development and prosperity of the province's economy and to push reforms forward, because their "arguments" are closely linked with the "things" which everyone has experienced personally and intimately.

The cases similar to what we mentioned are not isolated ones. Great efforts are naturally made to correct this state of affairs. One of the most important tasks is to seriously study the past experiences, both positive and negative, in particular the serious economic and "leftist" mistakes. If other parts of the country do as they should, this, we firmly believe, will vigorously promote further reform and efforts of endeavor and bring about a new situation in all fields of their work.

Fundamentally speaking, the failure to pay attention to economic laws and economic results and to adhere to the principle of seeking truth from facts, the prevailing practice of idealism and metaphysics, and the separation of theory from practice contributed to the mistakes committed in our economic work in the past. The history of our party tells us that the integration of theory and practice is the sure way to achieve victory.



In carrying out academic research work and theoretical explorations, we must advocate the strictly scientific Marxist approach that theory stems from reality. It is a pity that some of our theoretical writings are nothing but a mixture of specific cases and quotations from the works of Marx and Lenin. Lengthy and crammed with copious quotations from many sources, these articles failed to answer the questions cropping up in actual life and to find the inherent connections and regularities in present-day life. What is worse is that some people made "conclusions" first and then quoted some phrases from classic works and cited some "cases in point" as proof from actual life. Moreover, as often as not these a priori "conclusions" were not all the products of their own brains, some of which were copied directly from their superiors and some were presented to go along with the latter and seek rewards by currying favor with them. Are not there people "discovering" the "law" that "the center of Marxist theory is gradually moving eastward?" It appears that the movement of man's thinking assumes the same route as the earth rotates around its axis. Such extremely absurd arguments are already seldom heard nowadays. However, the bad habit of explaining some phenomena as one pleases and not according to solid facts and then making conclusions with a certain objective in mind (even sticking political labels) is far from thoroughly discarded. People of the reed-growing-on-the-wall type and of the bamboo-shoot-in-the-hills type can now still be seen hovering around us. [This is a reference to a criticism by Mao of those who fail to 'seek truth from facts.' "Selected Works of Mao Tse-tung" Vol 3 1965, p 22]

Science is based on facts. Marx said: "If a man tries to make science meet the needs of a viewpoint that is derived from outside science rather than from science itself (no matter how erroneous the science is) and has nothing to do with science and that is dominated by external interests, I would say he is 'contemptible.'" In doing theoretical work, most importantly we must guard against divorcing ourselves from life and reality and detest and dismiss the "contemptible." Countless facts have proven that although the "theories" advanced in such a way may dizzy people, they will vanish instantly the moment they emerge like soap bubbles. If one is opinionated and stubbornly adheres to his opinions (have we not experienced such years?), he is bound to find himself in a situation in which prevailing arguments change from time to time and people will not begrudge "criticizing past theories with present ones." This self-blaming practice is of nothing to the persons concerned themselves but will cause their close "followers" suffering, because they have to make frequent and thorough changes in their stand and dare not complain even if they are criticized and attacked.

"To stand at the peak of science, a nation should always have theoretical thinking." (Engels) Theoretical work should not only be closely linked with reality but especially should catch up with and surpass practical work, otherwise, practical work will lose its bearings or go astray. Our theoretical workers should have such a soaring ambition, that is, they should make greater contributions to the development of Marxism and to mankind in such great times and at a time when the Chinese people, having taken a tortuous road crammed with relapses, have ushered in a third period of economic takeoff. Marx said: Sometimes, we see some giants are extremely tall, this is because we look at them kneeling. Marx called out and said: "Let's stand up!" True, let's all stand and do our bit in developing Marxism. We must not think that this is a thing which can be accomplished only by some particularly wise men.

When summing up the experience in the past work, Hebei Province attached particular importance to the summation of lessons drawn from past errors. It was only appropriate when Comrade Gao Yang said: "We have quite a few negative experiences in our past work. We must draw lessons therefrom and find out the truth, namely, what laws and principles we have violated. Knowledge derived in this way is more important and precious to us." This is precisely what Engels meant when he said a proletarian party must learn from its own mistakes and when Mao Zedong said: "Error is often the precursor of what is correct."

The first article entitled "Knowledge Paid for at a High Price" of the book "Selected Articles on Hebei's Economy" depicts the event that Xingtang County spent carrying out four water conservancy projects which later turned out that the projects were not worth the effort. From the situation of the whole country, Xingtang County is, of course, no more than a "small sorcerer." There are still other "great sorcerers" whose cases are more serious than that of this "small sorcerer." For example, the project to reclaim land from the Dongting Hu in Hunan is a serious lesson. That Xingtang County managed to squarely face its past mistakes and write them down openly is precisely an indication of its determination to draw lessons from past mistakes and improve its work. Why cannot Hunan do so? I returned to my hometown the year before last and composed some poems, which were later published in HUNAN RIBAO. One of the poems depicts the project to reclaim land from Hunan's Dongting Hu. The postscript to the poem says: "Wei Yuan of the Qing Dynasty wrote a book entitled 'On Water Conservancy in Hunan and Hubei' and composed a long poem 'Song of the Dongting Hu.'" The poem and the essay testified each other, discussing freely on the water conservancy problems of the Dongting Hu, the Chang Jiang, and the Han Shui. With people 'vying with one another for waters to be used in irrigation works,' 'islets in the rivers [the Chang Jiang and the Han Shui] are rising day by day and the lake [the Dongting Hu] is becoming shallower with each passing day.' Moreover, the people who were engaged in reclamation projects were numerous. Consequently, 'a land that abounds in rivers and lakes has been transformed into a land of mulberry and hemp' and 'a 800-li lake has been reduced by 40 percent and the water surface of the rivers by 12 percent.' The author strongly argued against the wisdom of the claim of "a year-on-year increase in the number of low-laying paddy fields around the lake" and maintained that the wanton felling and denudation of forests in the upper reaches of the rivers ('let alone the felling of ancient forests in Shaanxi and Sichuan') might have such consequences as 'the watercourses of the islets in the lower reaches of the rivers are clogged up by sand.' He advanced the correct assertion that 'farmland reclaimed through encirclement of rivers and lakes should be returned to rivers and lakes.' As far as the present ills of lakes and rivers are concerned, we are again taking the same disastrous road taken during the Qing Dynasty period. The blind reclamation of farmland from the lake and the damming of the rivers have reduced one-third of the water surface and capacity of the lake as compared with what it was before liberation, brought a total of 100 million cubic meters of silt to the lake annually, blocked most of the navigation lanes of the rivers, and caused a significant drop in the output of aquatic products. That the situation of the Dongting Hu is becoming more perilous day by day has in fact become a hidden danger to Hunan. [Word indistinct] hope our colleagues working in central Hunan to regulate rivers and watercourses will read the poem and

essay of the revered Mr Wei of Shaoyang, a pioneer of reform in the modern times, so as to take warning from past setbacks and to restore an ecological balance. Reclaiming lake bottom and land for cultivation caused famine hundred of years ago and we should take warning from this setback to avoid its repetition so that later generations will not blame us in the future." In addition, in Yueyang an endless debate on whether the controversial Tieshan reservoir project should be continued or discontinued was still going on and last year there was a grave accident in its associated Zhongzhouyuan project, which caused deaths. There are folk songs of "the three mountains" and "the three ropes" about these projects among the people in Yueyang. Doubtlessly, we should sum up our experience in these matters. Yueyang's Maotian used to be noted as Hunan's Dazhai. On the top of a mountain, people built four big characters with thousand tons of stones, meaning "the important thing is revolutionary drive," which can still clearly be seen from a plane. Some people summed up the experience of this "red flag" in the past (written in a book entitled "A Paeon of Maotian" which has not yet been published). Now do they not intend to sum up the experience once again? However, this needs the courage to make self-criticism and also needs an atmosphere of free contention. Talking of free contention reminds people of a famous remark by Engels: "The foundation of the workers' movement lies in the sharpest criticism of existing society. Criticism is the essential factor of life of the workers' movement. Now can the workers' movement itself shun criticism and ban contention? Do we strive for freedom of speech for the sole purpose of eliminating freedom of speech among our own ranks?"

In reviewing past things, we aim at making better and faster progress.

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